Development of Structured Employment Systems in Japanese Department Stores in Hong Kong

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A Thesis Submitted in Fulfilment of the Requirements for the Degree of Doctor of Philosophy

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October 1997

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ACKNOWLEGEMENTS

In the years it took to complete this thesis, I have become indebted to a number of people, who I hope, will accept my deepest gratitude for the assistance they offered so kindly. Employees and managers at Co.A, Co.B, Co.C, Co.D and Co.E deserve particular mention. With the support of the companies and the willingness of employees to share their experiences with me, the completion of this thesis would have not been possible.

My deepest gratitude is due to my academic supervisor, Professor Chris Hendry, whose steady guidance over the years has helped me turn what initially was a vaguely defined research topic into this thesis. His various publications, especially the one on employment systems, have given me inspirations on studying the Japanese employment and international management issues in Hong Kong. His continuous support, comments and suggestions for the improvement of the thesis are most invaluable.

I would also like to express my appreciation to several friends. Mr Vic Taylor of University of New South Wales, Dr K.K. Leung, Dr Catherine Chui and Dr Bill Taylor of City University of Hong Kong have been giving me continuous encouragement. Professor Dean Tjosvold of Lingnan College have read some portions of this thesis and whose comments are invaluable. Mrs Diane Middleton and Mrs Pauline Straw have read the grammar of this thesis.

I am also grateful to Professor T.S. Chan of Lingnan College who granted me a short study leave in the first half of June, 1997 so that I could finish the final stage of the study in the UK. Finally, I wish to express my heart felt appreciation to my husband, Keith, for his unceasing support and encouragement throughout the period of my study.

DECLARATION

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ABSTRACT

The study is undertaken with an intent to understand the development of structured employment systems within Japanese retail companies overseas. A majority of existing studies on Japanese international management focus on national origins as a major source of the core-periphery distinction within Japanese companies overseas. In addition, the structured employment systems model incorporates skills, profession, hierarchy, employment status and gender as well.

The four Japanese companies employ various employee groups by different human resource management practices – recruitment and selection, pay and benefit, and training and development - involving varying costs. These differences are reinforced by the fact that different employee groups are managed by different organisational practices – job assignment, communication and decision-making. Thus, employees are employed in different labour market systems. The Japanese companies possess four structured employment features - polarisation between Japanese and local employees, polarisation between local professional staff and local employees with low skills, casualisation of local employees with low skills, and under-utilisation of female staff.

When compared with the employment systems of the British company and existing literature, Japanese MNCs tend to polarise between Japanese and local employees, and under-utilise female staff because of the characteristics of Japanese culture. The polarisation between local professional and staff with low skills, and casualisation are mainly attributable to the sectoral/technological characteristics of the retail industry, and the contextual factors of the company.

The ethnocentric management approach persists in all Japanese case companies. Although market pressures have induced certain changes in some Japanese companies to make fuller use of local professional staff, they have not introduced fundamental changes in the employment systems in providing equal employment opportunity for all local employees. It is suggested that this ethnocentrism could adversely affect the development of Japanese retail companies in a business environment requiring adaptability to local market and preferences.

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter lays the foundations and set the scene for research in the thesis. It establishes the overall field – the labour market analysis of the employment systems of Japanese overseas department stores – under which this study is undertaken. It summarises previous research and indicates the research gap which underlines the significance of this study which has not been undertaken before. Furthermore, it states the objectives of the thesis, introduces the research problems and research questions of the study.

This chapter is organised under six headings. Section 1.2 is about the background under which this study is undertaken. Section 1.3 reviews the existing literature on Japanese management overseas. Section 1.4 points out the rationale for the present study which aims specifically to fill the gap of the missing points in the existing studies. Section 1.5 outlines the research questions and explains how the research objectives are achieved in this study. Section 1.6 discusses the contribution of the study. Section 1.7 outlines the organisation of chapters in the thesis.

1.2 BACKGROUND

The appreciation of yen in the mid-1980s has stimulated Japanese multinational companies (MNCs) to invest abroad. Since 1989, Japan has overtaken the USA and become the largest foreign investor in Hong Kong. By December 1994, Japan's cumulative foreign direct investment in Hong Kong totalled US$13.88 billion, accounting for nearly one-tenth of Japan's total foreign direct investment in the world (Ministry of Finance, 1996). Accompanied with the transformation of Hong Kong's economy towards the tertiary sector, employment by sector in Hong Kong reflects the move from a manufacturing to a service oriented economy (see Table 1.1). Between 1987 and 1996, employment in the manufacturing sector had decreased 62.6 percent, while the employment in the service sector had experienced a rapid growth. Finance, insurance and real estate were the fastest growing industries with an 86.2 percent increase. Wholesale, retail and import/export trade increased 76.4 percent, and were the second fastest growing industries between the period of 1987 to 1996 in Hong Kong.

Table 1.1 Employment by the Major Sector in Hong Kong (the third quarter, in 1,000)

Year	87	88	89	90	91	92	93	94	95	96
Manufacturing	875	845	803	730	655	571	508	438	386	327
Aggregate growth: - 62.6%										
Finance, insurance, real estate	210	231	249	273	289	308	336	361	375	391
Aggregate growth: 86.2%										
Wholesale, retail, I/E trade	466	513	557	602	657	673	719	818	810	822
Aggregate growth: 76.4%										
Restaurant, hotel	182	186	201	213	224	233	227	229	219	222
Aggregate growth: 22%										
Construction	71	73	68	71	64	63	52	60	65	76
Aggregate growth: 7%										
Civil service	182	185	187	190	191	183	181	180	181	183
Aggregate growth: 0.5%										

Source: Census and Statistics Department (1993b) (1994), (1995), (1996) and (1997).

In the service sector, Japanese companies operating in the department store industry are amongst the most active investors in Hong Kong. They occupied more than 50 percent of the market share of Hong Kong's department store industry (Anonymous, 1995b). According to Census and Statistics Department (1990-95), there were 18,242 people working for department store companies in Hong Kong. Japanese department store companies employed over 8,280 people in June 1996 (The author's survey, see Appendix 1) which constituted 45.4 percent of the total number of employees working for department store companies in Hong Kong. In other words, nearly half of the people employed in the department store industry in Hong Kong work for Japanese companies.

Furthermore, evidence suggests that tension of human resource management within Japanese department store companies is intense (Wong, 1996a; Wong, 1996b; Wong, 1996c). Therefore, it is a central contention in this study that the role of employment systems and labour markets in Japanese employers is a significant issue for examination within the retail sector of Hong Kong. Recently, a body of literature has emerged which examines human resource management in Japanese MNCs. This literature is reviewed below.

1.3 EXISTING LITERATURE ON JAPANESE MANAGEMENT OVERSEAS

This section makes a brief review of the existing literature on Japanese management overseas to indicate that the role of employment systems and labour markets in Japanese employers overseas has been largely neglected as a research gap. Research on Japanese human resource management overseas includes studies on topics such as management of host-country human resources, management of parent-country human resources, cross-national transfer of human resource management practices, cross-national interaction of human resources, and comparative human resource management. In addition to human resource management studies, the structure, strategy and control studies of Japanese MNCs are considered pertinent to illuminate the characteristics of Japanese management overseas.

1.3.1 Management of Host-Country Human Resources

Research on the management of host-country human resources or local employees focuses on understanding the effects of Japanese ethnocentric management practices[1]. Japanese management is likely to be reluctant to consider local employees for top management positions which, thus, are monopolised by the Japanese expatriates. The local employees are dissatisfied because they are less likely to develop their career in Japanese companies (Trevor and White, 1983; Sethi, *et al.,* 1984; Kidahashi, 1987; Abo, 1989; Fucini and Fucini; 1990).

1.3.2 Management of Parent-Country Human Resources

Research on parent-country human resources studies is related to Japanese expatriates. The expatriate studies include acculturation (Mendenhall and Oddou, 1985 and 1986), satisfaction with the expatriation and repatriation processes (Black *et al.*, 1992), work role transition from working in parent country to host country (Nicholson,

[1] Ethnocentric management practice refers to a preference for putting parent-country nationals (PCNs) in key positions everywhere in the world and reward them more handsomely for work than the host-country nationals (HCNs), along with a tendency to feel that this group is more intelligent, capable or reliable than the HCNs. The board and top management in the headquarters and overseas subsidiaries are from the home country and have been indoctrinated with home-country experience. People feel more comfortable with others of similar background (Heenan and Perlmutter, 1979).

1984) and nature of commitment to the parent company after repatriation (Gregersen and Black, 1990).

Compared with expatriates of Western MNCs, Japanese expatriates tend to be less acculturated to the host culture and more committed to the parent company. Many scholars (such as Yoshino, 1976; Fukuda, 1988) used a culturalist explanation to suggest that Japanese have unique cultural characteristics which have made them less acculturated to the host culture.

1.3.3 Cross-National Transfer of Human Resource Management Practices

Research on cross-national transfer of human resource management practices focuses on the transferability of Japanese models (Negandhi *et al.*, 1985; Fukuda, 1988; Dedoussis, 1991). These studies have provided abundant information on how Japanese MNCs managed their overseas subsidiaries in the West. Among the transferability studies, many researchers have questioned which Japanese management practices could or should be transferred to foreign environments (e.g. Yoshino, 1976; Marsh and Mannari, 1983; Ichimura and Yoshihara, 1985; Fukuda, 1988; Dedoussis, 1991).

Transferability studies have generated three types of results - localised management (Yuen and Kee, 1993/4), Japanised management (Takamiya, 1985; Nester, 1989) and hybrid management (Dedoussis, 1991, 1994 and 1995; Nomura, 1992; Abo, 1994; Abdullah and Keenoy, 1995). The hybrid management is the one most commonly found in literature. They suggested that Japanese MNCs tend to adopt a hybrid form of management practice in their overseas subsidiaries and that this is related to economic considerations such as cost-saving.

Interest in the application and transferability of Japanese management practices overseas has drawn considerable attention to the significance of Japanese management abroad as a subject of research. Nevertheless, at the same time, Dedoussis and Littler (1994) argued that transferability studies have detracted from a more complete understanding of Japanese international management since they have focused too much on the unique/non-unique aspects of Japanese management system.

1.3.4 Cross-National Interaction of Human Resources

Research on cross-national interaction of human resources tends to concentrate on managerial effectiveness across cultures. Many studies have confirmed that differences exist in culturally-defined values and attitudes. For example, loyalty to the company persists more among Japanese MNCs staff than those of Western MNCs (Lincoln *et al.*, 1990; Yasumuro, 1982; Everett and Stening, 1983). Secondly, these studies have indicated that the same behaviour in different cultures may convey different messages. For example, to a local employee, loyalty to one's company may mean one's inability to find a better position elsewhere (Trevor and White, 1983; Tomita, 1991). Finally, research has suggested that the role of trust plays an important part in the effectiveness of cross-national interaction between Japanese and local employees (Sullivan *et al.*, 1981). Hence, as a consequence of the Japanese parent company trusting only Japanese expatriates to operate their overseas subsidiaries, local managers often feel powerless and frustrated in working for Japanese companies.

1.3.5 Comparative Human Resource Management

Comparative human resource management (HRM) research relating to Japanese MNCs includes comparative studies of international HRM policies and practices of Japanese MNCs with those of the American and European MNCs (Sethi, *et al.*, 1984; Kopp, 1994a and 1994b). These studies have reiterated the ethnocentric nature of Japanese MNCs found in previous research on the management of human resources (Beechler and Bird, 1994).

1.3.6 Structure and Control

The structure and control research on Japanese MNCs suggests that Japanese MNCs are more ethnocentric than the Western MNCs because Japanese MNCs follow a different structural and control pattern of international management to their Western counterparts (Tsurumi, 1976; Yoshino, 1975a; Shimizu, 1991; Dunning, 1993a; Sparrow and Hiltrop, 1994). The reason why Japanese MNCs have difficulty transforming from an ethnocentric to a global[2] approach is because of the fundamental weakness of personnel management in Japanese overseas subsidiaries as a result of their over reliance on Japanese expatriates for control purposes (Pucik, 1994). Since Japanese prefer to use direct control by Japanese expatriates, local employees are left with little chance of promotion (Trevor and White, 1983; Hayashi, 1978; Hishinuma, 1986; Phatak, 1989; Beechler and Iaquinto, 1994).

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[2] The global approach refers to the headquarters and overseas subsidiaries which see themselves as parts of an organic world-wide entity. Superiority is not equated with nationality since competence in this form of MNC is its capacity to optimise resource allocation on a global basis. Good ideas come from any country and go to any country within the company (Heenan and Perlmutter, 1979).

1.3.7 Summary of the Existing Literature

The finding of a consistent pattern of ethnocentrism in Japanese management overseas surfaces in the existing literature. Japanese MNCs tend to use large numbers of Japanese expatriates in managerial positions in their overseas subsidiaries, and are reluctant to consider local employees for such positions. And the major form of ethnocentrism in Japanese management overseas is depicted as a dual labour market - the Japanese expatriate managers employed in the internal labour market (ILM)[3] and the local employees employed in the external labour market (ELM)[4] (Trevor, 1989; Kidahashi, 1987). Nevertheless, the employment structure of a company appears to be more than a core-periphery dichotomy in which employees are either employed in the ILM or ELM (Hendry, 1995; Piore, 1975; Osterman, 1984). Therefore, it is a central contention of this study to supplement existing international management studies which have apparently omitted the structured aspects of employment system, apart from viewing employees in Japanese overseas subsidiaries being employed in a core-periphery dichotomy. The conception of dual employment structure of Japanese overseas subsidiaries is too simplified because different groups of employees are found within the same Japanese overseas company. Together with the concept of ethnocentrism, structured employment systems can be argued as one of the important aspects of Japanese management overseas because different groups of employee within the same Japanese overseas company experience different employment conditions.

Later on in Chapter Six where cultural explanation for the structured employment systems in Japanese case companies is set, literature on Japanese international management overseas and comparative management between Japanese, European and American MNCs will be reviewed to examine how different groups of employee experience various employment conditions. The existing literature is exposed to its inadequacy when it cannot explain the structured employment systems and the multi-layered labour markets developed from sectoral/technological conditions of the retail industry and the contextual environment of the company under study. This study with a focus on employment systems and labour markets enhances the previous research by adding insights on the structured nature of Japanese employment systems overseas.

[3] Within an internal labour market, employees enjoy job security, high earning and intensive training and development. In return, they perform a range of tasks and work flexibly across traditional skill boundaries because they are employed for their functional flexibility (Hendry, 1995).

[4] In an external labour market, employees are excluded from enjoying benefits of the ILM. They are employed to fulfil job demand on a short term basis, and thus are numerically flexible because the company is relatively easy to dismiss them during the economic downturn.

1.4 RATIONALE FOR THE PRESENT STUDY

The present study focuses on the **employment systems** (or ways of managing employees) in Japanese department store companies located in Hong Kong. In the light of the above literature review, several missing points relating to the employment systems have been found. Therefore, the rationale for choosing employment systems as a research topic in this thesis is to bridge the gap of knowledge in the existing studies.

1.4.1 Missing Points in the Existing Literature

There are several missing points in the existing literature. The first point is that almost all existing studies on Japanese management overseas and comparative human resource management have examined a narrow range of specific human resource management and organisational practices, and make comparison of these practices among American, European and Japanese MNCs. They have neglected the study of the employment systems which needs to be examined by a micro-analysis approach.

Furthermore, the existing literature has also neglected the broader context that these different practices imply different types of employment system employed by Japanese MNCs. It is noticeable that Japanese management applies different HRM and organisational practices among different groups of employee within the same Japanese overseas subsidiary. As a whole, this structured nature of Japanese employment systems has been largely neglected as an important aspect of international management studies as they can only identify two major employee groups – expatriate and local staff – based on national origins (Trevor and White, 1983; Dedoussis, 1991). Few previous research has identified criteria such as skills/profession, employment status, hierarchy and gender to analyse the employment systems and labour market of Japanese overseas companies. Therefore, the dearth of studies examining the broader context of employment systems is apparently the gap of knowledge in the existing Japanese international management studies. This gap can only be filled by research with an appropriate theoretical framework which incorporates the broader context of employment systems, especially those with structured characteristics.

The second missing point is related to the fact that Japanese employment systems are undergoing restructuring in the current post-bubble economy[5] which have

[5] The economic boom of Japan's "bubble economy" lasted through the latter half of the 1980s into the early 1990s. It created speculation in property and equity investments. Many individual and corporate investors speculated to gain quick return by over-borrowing which led to the bubble burst. The collapse of the "bubble economy" has led to the present post-bubble recession.

stimulated many Japanese companies to apply increasingly varied HRM and organisational practices to different employee groups within the same company (Wong, in press). Therefore, the number of employee groups within Japanese companies has increased. They include the generalists, professionals, mid-career, female, part-time, temporary and loaned employees (Kamada, 1994). The existence of structured employment systems within the parent company in Japan implies that Japanese overseas subsidiaries may also employ different HRM and organisational practices among different groups of employee.

The third missing point in the existing literature is related to the fact that the existing literature has taken little account to analyse the power and control dynamics which characterise the social relations and employment practices of Japanese MNCs. The existing literature has only identified national origin as the major source for unequal distribution of organisational power between Japanese expatriates and local employees within Japanese overseas companies, but has largely neglected other sources such as skills, profession, hierarchy, employment status and gender. Thus most literature can only identify certain organisational and structural barriers, such as the so-called glass ceiling, for local employees to move up the organisational hierarchy, but cannot explain other barriers existed within employee groups among Japanese and local which are related to organisational power, control, and social relations dynamics.

The fourth missing point is that existing literature has rarely studied the Japanese multinational retailers. The retail industry has special sectoral and technological characteristics which may have contributed to the application of varied HRM and organisational practices amongst different groups of employee within the same Japanese overseas subsidiary. Furthermore, this may also be related to contextual factors of the company, such as its history, background, competitive environment and business strategy. These contextual, sectoral and technological aspects affecting the international management practices of multinational retailers have been largely neglected in the existing international management literature.

1.4.2 The Objectives of the Study

This study, focussing on employment systems and labour markets analysis, attempts to bridge the gap of knowledge in international management studies. Since there is an apparent lack of studies examining employment systems and labour markets, this research is conducted to achieve three objectives. The **first objective** is to examine the types of employment systems adopted by Japanese retail MNCs in Hong Kong by a systematic and in-depth empirical investigation through the micro-analysis approach.

Apart from national origin, existing studies have largely neglected other sources for unequal distribution of organisational power and employment opportunities among employee groups in Japanese overseas companies. Therefore, the **second objective** is to examine sources such as skills/profession, hierarchy, employment status and gender to differentiate employment practices amongst employee groups. Furthermore, the cost characteristics of various HRM and organisational practices applied to different employee groups are also identified. In this way, categories of employee among the expatriate and local (Hong Kong Chinese) staff can be identified, and the actual characteristics of Japanese employment systems overseas can be recognised and understood more thoroughly.

Nevertheless, it is not clear whether the structured characteristics in employment systems of Japanese department store companies in Hong Kong are specific among Japanese MNCs or common among MNCs of other national origins, unless they are compared with the employment characteristics of non-Japanese MNCs. Therefore, comparison is made with non-Japanese MNCs to distinguish the Japanese employment systems overseas. This is mainly achieved by conducting a two-way test of the employment characteristics derived from the Japanese case companies against the evidence derived from a non-Japanese (British) case company and existing literature. It aims at highlighting the characteristics of the structured employment features that are unique to Japanese retail MNCs.

Finally, the **third objective** is to describe factors leading to the employment systems, and assess the implications for the use of such employment systems by the Japanese MNCs in the retail sector for their long-term development in international management.

1.5 RESEARCH QUESTIONS

Derived from the objectives of the study, this thesis seeks to answer the following research questions:

1. What types of employment system apply to the Japanese department store companies operating in Hong Kong?
2. What are the characteristics of their employment systems in terms of human resource management and organisational practices?

3. How can the impacts of and the factors leading to the employment systems of Japanese retail MNCs be described? And what are the implications for their long-term development in international management?

Derived from the above objectives and research questions, this study uses a micro-analysis approach to study four Japanese companies – Co.A, Co.B, Co.C and Co.D; and a British company – Co.E (see Appendix 1). To meet the first and second objectives, the literature on the labour market structure and employment practices of Japanese companies operating in both Japan and overseas, and the labour market structure of the department store industry are reviewed. Furthermore, the characteristics of the employment systems for the four Japanese and British case companies are examined by testing the six HRM and organisational practices.

The employment characteristics of the four Japanese companies are then compared with that of the British company as well as the existing international management literature on Japanese, European and American MNCs to distinguish the structured characteristics of Japanese employment systems. The factors contributed to the development of structured employment systems, and their long-term implications are examined according to the cultural characteristics of Japanese, sectoral/technological characteristics of the retail industry, and contextual factors of the company to meet the third objective.

1.6 CONTRIBUTION OF THE PRESENT STUDY

The impetus of this study comes from the fact that there is a notable absence of a solid theoretical framework explaining issues relating to the employment systems and labour markets of Japanese MNCs in the retail sector. This study adopts two major instruments – a model of structured employment systems for theoretical framework, and a micro-analysis approach for data analysis. It is pioneering because it can examine the characteristics of employment systems and labour markets of Japanese department store companies in the Hong Kong context. The instrument of the micro-analysis approach illuminates the structured and multi-layered aspects of employment systems and labour markets in Japanese overseas companies as each management and organisational practice can be examined in detail. The instrument of the model of structured employment systems illuminates how each case company employs different patterns for managing and treating employee groups within the company.

The potential usefulness of the research findings lies in the fact that the micro-analysis approach based on the structured employment systems model can provide new perspectives to the study of Japanese management practice overseas. The findings of this study are an improvement on previous expatriation research and dual labour market approach because the evidence of this research shows more than what the cultural explanation has explained about the Japanese intensive use of expatriate managers, low internalisation of local and female employees, and strong control and centralisation.

In fact, this research has added new insights on the studies of Japanese management overseas. Firstly, it points out the differentiated employment practices between male and female Japanese expatriates, and among the local employees of various hierarchies, skills/professional and employment status. These different employee groups are employed in various segments of labour markets, and receive various amount of management control and power to carry out their work. Secondly, this research also brings out the dynamics of the shifting employment practices within the changing consumer and labour markets of Hong Kong. For instance, the evidence shows that some Japanese companies provide more favourable employment conditions towards the local professional staff as a result of the introduction of retail sales technology. These new perspectives derived from the thesis has added to the understanding of Japanese organisational culture and management practices employed overseas.

1.7 ORGANISATION OF CHAPTERS

Chapter One outlines the research objectives, questions and the general research orientation of this thesis. The thesis is organised in three main sections. Section I comprises Chapters Two and Three to lay out the foundations and establish the overall field under which the study is undertaken. Chapter Two discusses the conceptualisation of the labour market and employment structure in Japanese MNCs. It explains what is an employment system. Various labour market and employment models are reviewed. Then the employment structure of Japanese companies in both Japan and overseas is discussed. It explains why employment systems should be adopted to examine Japanese management overseas as opposed to other techniques. Then, the theoretical framework – structured employment systems model – is introduced. This model is evaluated against the labour market structure of Japan in order to understand its relevance to the Japanese employment studies. The reasons why it is adopted in this research for investigating the structured nature of the employment systems of Japanese MNCs in the retail sector are explained as to what features the model contains to tap the particular strategies of the Japanese retailers.

Chapter Three discusses the research design. Since the research is concerned with the actual state of employment practices in Japanese companies in Hong Kong, a qualitative case study design is adopted as the research method. The primary source of evidence is from semi-structured interviews by open-ended questions, supplemented by archival information and observations. The construction process for the instruments and the clustering process of employee groups based on the framework are explained. In order to validate the sample composition and measurement instrument, the reliability and validity problems encountered during the research and the measures to minimise these problems are discussed.

Section II presents the research findings of the structured employment systems existed in the four Japanese department stores in Hong Kong. It consists of Chapters Four and Five. Chapter Four discusses the characteristics of the structured employment systems by testing three human resource management variables – recruitment and selection, pay and benefit, training and development. It distinguishes how each group of employees is managed differently in terms of the nature of practices - core or peripheral, and the costs involved in implementing the practices. It shows how each group of employee are employed in different labour markets, and that structured employment systems exist in the Japanese companies in Hong Kong.

Chapter Five discusses the characteristics of structured employment systems from three organisational practices – job assignment, communication and decision-making. It uses a similar approach as Chapter Four to show that structured employment systems exist in the Japanese department store companies in Hong Kong. Then, from the evidence of the six HRM and organisational practices, it summarises the number and type of employee groups existed in each case company, the structured employment features and the type of structured employment systems employed by the Japanese case companies.

Section III consists of Chapters Six and Seven. Based on the empirical evidence, four employment features emerge from the Japanese case companies - polarisation between Japanese and local employees, polarisation between professional and employees with low skills, casualisation of local employees, and under-utilisation of female employees. Based on these employment features, it discusses the factors leading to the development of structured employment systems. The implications of the structured employment systems are also discussed in terms of the long term development of Japanese retail MNCs in international management.

Chapter Six discusses the results of the two-way test which compares the employment characteristics between the four Japanese companies with those of the British case company, and the existing literature. This chapter brings out two of the structured employment features - polarisation between Japanese and local employees, and under-utilisation of female employees – that are more distinct among Japanese MNCs compared with that of the European/American MNCs. These two features are explained in relation to the cultural characteristics of the Japanese.

Chapter Seven assesses and analyses the contextual factors related to two Japanese case companies, and sectoral/technological factors related to the retail industry which have contributed to their characteristics of structured employment systems. The implications of the structured employment systems to the long-term development of Japanese MNCs in the international management are also discussed.

Finally, Chapter Eight is a concluding chapter. The research objectives, questions and arguments are summarised. The research findings are summarised, followed by theoretical implications of the study, and suggestions for further research.

SECTION I

INSTRUMENTS TO STUDY STRUCTURED EMPLOYMENT SYSTEMS

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INSTRUMENTS TO STUDY STRUCTURED EMPLOYMENT SYSTEMS

STRUCTURE OF CHAPTERS

Section I introduces the instruments used to lay the foundations for the study of structured employment systems of the Japanese retail MNCs in Hong Kong. It establishes the overall field under which the study is undertaken, and sets the scene for the rest of the thesis by introducing the theoretical framework and the research methodology. It contains two chapters – Chapters Two and Three.

Chapter Two reviews different labour market and employment theories. It examines the employment structure of Japanese companies in both Japan and overseas to see which labour market and employment theories can be adopted for this study. It introduces Hendry's (1995) structured employment systems model which is adopted as the theoretical framework for this study.

Chapter Three introduces the research methodology used in this study. It provides appropriate procedures of data collection. The multi-level micro-analysis approach for data analysis is introduced. It evaluates the reliability and validity issues of the procedures, and discusses measures to minimise the reliability and validity problems.

In brief, this section explains two major instruments – Hendry's (1995) structured employment systems model, and multi-level micro-analysis approach – adopted in this research.

CHAPTER TWO

CONCEPTUALISING THE LABOUR MARKET AND EMPLOYMENT STRUCTURE OF JAPANESE MNCS

2.1 INTRODUCTION

This chapter sets out a theoretical foundation upon which this study is based. The central issue of this study is to find out the characteristics of Japanese overseas companies' employment systems in the retail sector. In order to facilitate the examination of the central issue later on in this study, this chapter explains what is an employment system, and the constituent components of each aspect of the employment system. Furthermore, it reviews the relevant literature about the existing labour market and employment systems models and their conceptualisation. It also explains why employment systems should be adopted to examine Japanese management overseas as opposed to other techniques.

Given the situation described in Section 1.3, most of the existing international management literature tends to describe Japanese overseas subsidiaries as having a dual employment system. They tend to have neglected the fact that in general, the experience of individual employees depends on their position in the labour market which is a multi-layered one (Hendry, 1995). In order to bridge the gap in existing studies, the theoretical framework adopted for this study needs to incorporate the different employment conditions experienced by employees depending on their positions in the labour market, and explains how their experiences vary in terms of the ways they are recruited, hired, promoted, supervised and paid. It is a central contention in this study to adopt Hendry's (1995) structured employment systems model as a theoretical framework to explain the mechanism and institutions affecting IIR and organisational practices of Japanese overseas subsidiaries, and how these mechanism and institutions in turn affect individual employees' earnings, vulnerability to unemployment, working conditions and opportunities for advancement.

This chapter is organised in the following headings. Section 2.2 explains what is an employment system, and reviews the various labour market models for the adoption of an appropriate theoretical framework to the present study. Section 2.3 explains why employment systems should be adopted as an appropriate area to examine Japanese management overseas. Firstly, it reviews other options and techniques used in the existing literature to develop the argument that the employment systems approach can give a multi-layered or structured perspective of the Japanese management in the retail sector overseas that other options cannot. Secondly, the existing Japanese labour market literature, particularly that of the changing labour market conditions in Japan and its overseas companies under the current recession, is reviewed to bring out the fact that the major characteristic of Japanese employment systems is a structured one. Since Japanese overseas subsidiaries tend to follow the parent company's structured employment practices, Hendry's (1995) structured employment systems model becomes particularly relevant to this research. The structured employment perspective of the model has sensitised the author to pay special attention to the multi-layered employment conditions within Japanese overseas subsidiaries.

Section 2.4 introduces the orientation of the present study which is based on Hendry's (1995) structured employment systems model, and why Hendry's model is particularly suited to the examination of Japanese employment practice in Hong Kong. Section 2.5 outlines the three propositions derived from the theoretical framework for this research. In order to test these propositions, the employment systems of each case company are measured. This section also introduces the six major variables used to measure the employment systems, and why these variables are chosen for the measurement.

2.2 EMPLOYMENT SYSTEMS AND LABOUR MARKET MODELS

In this section, the idea of "employment systems" is developed first which is a core concept in this study of Japanese management overseas. It provides the constituent components of each aspect of the employment systems. Then, it reviews the various theoretical approaches to structured labour markets – namely, classical economists' treatment of wage differentials in the labour market, neo-classical, institutional, dualist and segmented labour market approaches. These approaches have been developed for analysing the labour markets within national boundaries. This section concludes with a synthesis of the relevant aspects of the various approaches into a conceptual framework for analysing the labour market/employment structure of Japanese MNCs.

2.2.1 The Employment Systems

"Employment systems" is the core concept in examining management approach used by Japanese retail companies in Hong Kong. By a range of constituent components of employment systems, companies manage employees and handle management problems created for their performance and long-term survival. The constituent components cover a whole range of issues related to the employment relationships – organisational structure (for example, centralised or decentralised), organisational culture, roles of personnel specialists, job design, leadership style, recruitment and selection, pay and benefit, training and development, job assignment, communication, decision-making, redundancy and so on (Watson, 1996).

Hendry (1995) stated that employment systems are something that can be described as "human resource strategy" and something that can be changed. Companies play active effort to manipulate employment systems to manage people and their skills with the immediate and long-term aims of the business. It provides a framework for understanding how practices like recruitment and selection, pay and benefit, training and development, and career practices combine to form a coherent pattern. It explains why these practices differ between companies, and between employee groups within the same company which provides a focus for understanding the way companies manage employment (Hendry, 1995). Since employment systems can be changed and adjusted by companies to manage their employees and their skills for achieving business goals, the examination of Japanese management overseas by employment systems approach is appropriate for this study which can explain how Japanese management differentiates and adjusts their employment conditions to various employee groups in different labour markets.

2.2.2 The Labour Market Models

There are various employment and labour market models developed in the past. The development of these labour market models is examined and their usefulness for the adoption in this research is evaluated below.

2.2.2.1 Classical Theories

Traditionally, economists have explained the wage differential among employees in terms of differences in skill and job attributes, or the existence of noncompetitive forces in the labour market. The basic postulate from which all the classical economists began their analysis is based on free and competitive markets, in which equal exchanges for equals.

Smith (1796) explained the existence of wage differentials between occupations as resulting in part from the normal workings of a competitive economy, and in part from institutional factors which he referred to as the "policy of Europe, which nowhere leaves things at perfect liberty." In other words, Smith noted that the labour market is not totally competitive as there are restrictions of entry. He described that urban tradesmen act collectively to restrict entry:

> even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade, generally prevail in them, and often teach them, by voluntary associations and agreements to prevent the free competition which they cannot prohibit by by-laws (Smith, 1796: 208).

Mill (1909: 480-481) supplemented Smith's account of wage differential by the concept of barriers to mobility which arise from differences in social rank:

> so strongly marked the line of demarcation, between the different grades of labourers, as to be almost equivalent to an hereditary distinction of caste; each employment being chiefly recruited from the children of those already employed in it, or in employment of the same rank with it in social estimation, or from the children of persons who, if originally of a lower rank, have succeeded in raising themselves by their exertions.

In addition to Smith's argument relating to the artificial barriers arising from guild restrictions on entry, Mill emphasised "natural" barriers arising from the inability of members of the lower social ranks to incur the costs of training and education required to accede to the higher paying occupations.

Cairnes (1874) developed Mill's concept of non-competing groups into a theory of the labour market. He described a labour market as divided into horizontal layers, within which competition prevails, but between which mobility, and thus competition, is severely limited.

Marx (1889) argued in his labour theory of value that the skilled employees are paid more than unskilled employees because the value of their labour-power is greater. This is essentially the same view as the other classical economists. The main thrust of Marx's analysis is that the organisation of production under the capitalist system tends to obliterate any differences between employees through the continuous division of the production process.

From the review of the selected work of the seminal classical theories, two main arguments for the existence of wage differentials among employees can be derived. The first is that wage differentials are due to job and employee attributes, of which the most important is the skill level. This argument formed the basis of neo-classical theories of human capital. The second argument is that institutional barriers to entry into some occupations tend to raise wages in these occupations. This argument became the basis of the labour market segmentation approach (Doeringer and Piore, 1971).

2.2.2.2 Neo-classical Approach (Human Capital Theory)

In the late nineteenth century, the neo-classical approach emphasised marginal productivity as the basis for the distribution of social product between labour, capital, and land. It was assumed that there are differences in natural abilities between employees. Therefore, the productive potential of labour is determined by investment in human capital. The employees determine their skills or occupation by investing in education and training. Human capitalist theorists (e.g. Becker, 1964) stressed the link between investment in human capital and innate ability. Individuals with greater abilities are better able to benefit from human capital and will therefore invest more. In addition, on-the-job training and experience are assumed to add to an employee's human capital endowment. According to this model, systematic differences in earnings between employees can be explained for the most part by differences in education, training, and experience.

However, the human capital assumptions were challenged. Kreckel (1980: 532) summed up two major weaknesses of the theory which were widely shared by other critics:

> One central weakness of this approach is that, . . . the human capital school starts from the unwarranted presupposition that increased investments in human capital in fact do increase the productivity in labour in all circumstances, and that the employers, as rational *homines economici*, are compelled to behave accordingly. Another weakness is that the human capital approach does not seem to be able to explain differences in earnings and occupational status between workers of equivalent qualification (e.g. inequalities between sexes, between occupations, or between firms).

Therefore, the economic characteristics of employees, e.g. education, experience and innate ability, are not sufficient to explain differences in earnings, employment stability and working conditions. Instead, a combination of historical, institutional, economic, and technological factors yield a particular labour market structure that accounts for differences arising from structural inequalities. The institutional approaches attempted to provide a systematic account of the structural inequalities.

2.2.2.3 Institutional Approaches

At the same time when the human capital theory was developed, the institutional approaches were also developed. The institutional approaches - which dominated the labour economics in the USA immediately after the Second World War - asserted that wages and working conditions are determined by a combination of market forces and social, political and institutional factors. Kerr (1954) classified the labour markets into structured and unstructured markets. In structured or "internal" markets, wages and promotions are determined by formal and informal institutional rules set by employers' associations, company personnel policies, collective bargaining agreements or government legislation. Competition is limited to specific "ports of entry". In contrast, structureless markets have no unions or rules, the relation between employee and employer is transitory and impersonal, the employees are unskilled, and payment is often by unit of product. There are no barriers to mobility and labour turnover is typically high.

Within the institutional approaches, labour market segmentation models were developed to supplement the deficiencies in the human capital theory and explained the differential life chances which are cast in terms of individual characteristics, human capital or economic qualities. The main segmentation argument was that inequality and inequity which deeply affect individual life chances are, in large measure, a function of the way work is organised in modern society. Three major theories were put forth by the labour market segmentation theorists: the dual labour market model, the radical theory, and the model of the "flexible firm".

The Dual Labour Market (DLM) Model

Doeringer and Piore (1971) suggested a theory of dual labour markets that built on Kerr's concept of the internal labour market. They used the terms "internal labour market" and "external labour market" to elaborate the dichotomy of the dual labour market. The internal labour market is an "administrative unit, within which the pricing and allocation of labour is governed by a set of administrative rules and procedures" (Doeringer and Piore, 1971: 1-2). The rules give certain rights and privileges to workers that are not available to those outside the organisation or occupation. The external labour market contains all other workers. The movement of people into and out of this market is governed by the economic variable of supply and demand at points of entry and exit.

Piore (1975: 126) distinguished between a primary and a secondary sector. The primary sector offers "jobs with relatively higher wages, good working conditions, chances of advancement, equity and due process in the administration of work rules and employment stability." In contrast, the secondary sector offers "jobs of low pay, with poorer working conditions, little chance of advancement, a highly personalised relationship between workers and supervisors which leaves wide latitude for favouritism and is conducive to harsh and capricious work discipline and with considerable instability in jobs and high turnover among the labour."

In their initial formulation, Doeringer and Piore (1971) explained this dual structure on the basis of differences in firm size and in technology between sectors. They argued that primary labour markets exist in sectors where firm-specific techniques of production are important. Both employers and employees in the primary sector have an incentive to stabilise employment and reduce labour turnover in order to preserve investments in firm-specific human capital required through on-the-job training. On the other hand, in the secondary sector where firm-specific techniques are not important, there is no incentive to reduce labour turnover. As a result, employment is unstable, investment in training is minimal and wages are determined by competitive forces.

In Doeringer and Piore's theory, the internal labour market emerges as a result of economic and technological considerations, but becomes entrenched through customs and practices. Precedent and repeated practices in stable work groups become customary norms which take on a quasi-ethical status. These norms may turn into explicit rules incorporated in collective bargaining agreements on job content, wage structure and patterns of promotion, or may be internalised by the members of stable work groups in the form of informal modes of behaviour.

In Doeringer and Piore's conception of the secondary labour market, work habits play an important role. They argued that the work habits of secondary sector employees result from the interaction between employee characteristics and job requirements.

Unstable jobs tend to be filled by groups with weak attachment to the labour force and poor work habits, such as tendency for absenteeism, high job turnover, etc. At the same time, the job environment feeds back on the characteristics of the labour force by promoting poor work habits. Therefore, the habits and attitudes of disadvantaged employees are determined by their labour market positions - resulting in a vicious circle of low-wage, low status and poor work habits - which in turn reinforce the position of the disadvantaged as low-wage employees.

Nevertheless, in the dual labour market model, segmentation is primarily a function of the employing firm which implies a static situation where mobility between the primary and secondary segments of the labour market is minimal, and where the line between the two segments is stable and impermeable.

Subsequent studies showed that there was considerable mobility between the two segments because even though some groups are associated with secondary sector employment, they are enlisted in the primary sector when demand for labour in that sector rises. Therefore, there is a shifting line between the two sectors, which allows the secondary sector to serve as a reserve army of labour for the primary sector.

Another dualist model of segmentation was developed by Berger and Piore (1980) where the role of flux and instability in structuring the labour market is central. Greater flexibility leads to more segmentation of the labour force into core and peripheral employees. They suggested two mechanisms generating labour market discontinuities. The first is the socio-political mechanism under which groups with political and economic power use the legislative process and trade union organisations to shelter themselves from vagaries of the market. In the process, they shift the burden of instability to more vulnerable groups such as women and youth. The second is the technological mechanism which works through the effect of instability on the division of labour. Piore argued that productivity is an increasing function of the division of labour. Improvements in efficiency are brought about by a finer subdivision of production into increasingly specialised tasks that are constantly recombined in more efficient ways.

However, the various dualist approaches were generated by the separation of demand in a stable and a variable component. The stable component is served by firms with a highly articulated division of labour using advanced technology and capital-intensive techniques. The variable component is relegated to smaller firms using flexible production techniques and less specialised capital equipment. Therefore, the dualist approaches turn out to be too simple to describe concrete situations adequately.

Although the dualist approaches have limitations, they formed the basis for the argument of scholars such as Littler (1983) who differentiated Japanese labour force into the internal and external market. Later, Dedoussis (1991) extended Littler's dual labour market argument into the management practices of Japanese subsidiaries overseas. Dedoussis (1991) argued that the Japanese parent company only transfers the peripheral human resource management practices from the external labour force in Japan to the local employees employed in Japanese overseas subsidiaries. Therefore, to a certain extent, differentiation between the primary- and secondary-sector employees in the dualist approach is useful for understanding Japanese employment practices overseas.

The Radical Theory

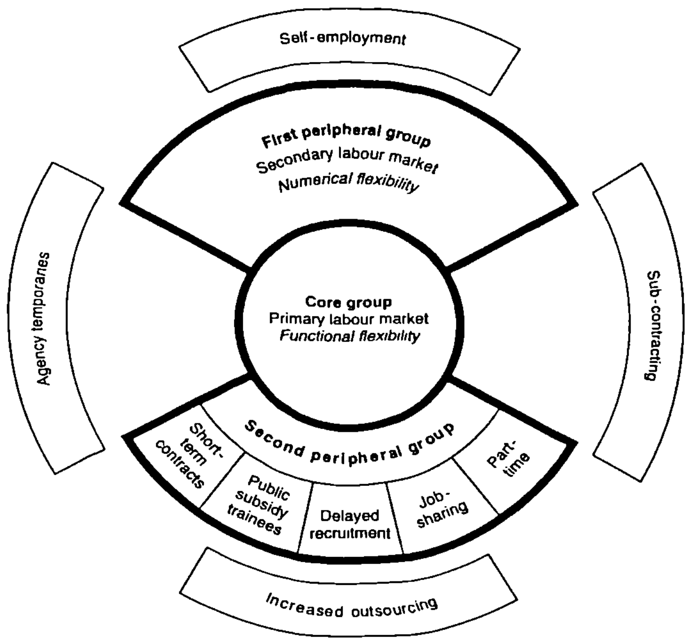
Edwards, Reich and Gordon (1975) formulated the "radical approach" in which the reasons for the existence of labour market segmentation differ from those suggested by Doeringer and Piore. They attributed the labour market segmentation to the monopoly phase of capitalist development in the USA. In the earlier competitive phase, the capitalist labour process was organised in such a way as to homogenise the labour force by eliminating skilled craft occupations. This deskilling was met by strong working class resistance to corporate control of the labour process. In the monopoly phase, oligopolistic firms, shielded from the short-run pressure of competition, attempt to secure long-run stability and labour quiescence by favouring certain groups of employees over others. The employees of skilled occupations are sheltered from competition and unemployment through internal labour markets. They become the primary segment of the labour market. Therefore, even though the employees may have achieved similar potential, they reap different rewards and face different opportunities depending on the segment of the labour market they are in.

However, like the dualist approach, the radical approach also considered segmentation as a function of the employing firm. In one case, internal labour markets in the primary sector are due to the nature of production technology and the need for firm-specific skills, and in the other case to the firm's oligopolistic position in the labour market. They imply a static situation where mobility between the primary and secondary segments of the labour market is minimal, and where the line between the two segments is stable and impermeable. Therefore, this static aspect of the radical model has limited its application to the understanding of the Japanese employment systems overseas.

The Model of the "Flexible Firm"

Atkinson (1984)'s model of the "flexible firm" derived from the dual labour market model at a micro-level. It suggested that within a firm, the labour force can be divided into "core" and "peripheral" workers. The peripheral workers can be further divided into the first peripheral group and second peripheral group. Outside the firm, there are a variety of external workers (Figure 2.1).

Figure 2.1 The Model of the "Flexible Firm"



Source: Atkinson (1985).

The model suggested that firms are flexible in terms of their adaptability to expansion, contraction or change in the product market which are dependent on the workers offering two kinds of flexibility - functional and numerical. Functional flexibility is offered by the core workers in the primary labour market who cross the occupational boundaries to reach multi-skilling. Furthermore, the core workers adjust closely to production demands to attain flexibility by time. Numerical flexibility is offered by the peripheral workers in the secondary labour market who are insecurely and irregularly employed. They are disposable and can be easily increased in line with even short term changes in the level of demand for labour. They serve as a numerically variable workforce to the employer. Therefore, the characteristics of jobs and the companies define the core-periphery dichotomy.

The model received widespread acceptance in the mid-1980s. Its appeal lies partly in its graphic dualist boldness, and partly in its ability to integrate a number of processes. However, Pollert (1987) stated that as an analytical tool, the "flexible firm" model has several conceptual problems. Firstly, the model's key variables - the core and periphery - have served to obscure, rather than highlight, the variability in the employment contract in the organisation of work. Secondly, the dualist polarisation between the two labour markets - the core and periphery - is too simple. It was argued that the labour market is segmented in many ways and by different criteria. Furthermore, the identification of the core can shift when the situation changes. Thirdly, the definition of "key" skills weakens the notion of the "core". The evaluation of which skills are core is complicated by the fact that skill is socially constructed and gendered. Thus, the "flexible firm" model appears to be vague on the pre-existence of sexual segregation. Skills which are essential to an organisation, but are performed by women, may be socially constructed as semi- or unskilled and may not be rewarded by the advantages of an internal labour market.

Although the model of the "flexible firm" is challenged in its conceptual aspect, both the model and its critique provided a ground for the development of the institutional approach from the dual labour market theory to the structured employment systems model. This structured labour market and employment systems are demonstrated by Hendry (1995: 393-394) who stated:

> Outside the core group are a great variety of peripheral workers. They exist in a series of layers. The first peripheral group is the full-time employees employed to perform specific jobs of a semi-skilled nature. They enjoy less security and inferior career prospects. The second peripheral group includes part-timers and temporary workers . . . [who] perform the same kind of jobs as the first peripheral group . . . Outside the firm, there are a variety of external workers who perform either very routine or specialised tasks. Low-skilled 'external workers' and the 'second peripheral group' [from the flexible firm model] would tend to fall within the 'open external labour market' model . . . while those with higher skills belong to the 'occupational labour market'.

In other words, based on Atkinson's (1985) model of the "flexible firm" (Figure 2.1), Hendry (1995) distinguished different kinds of peripheral groups in his structured employment systems model. The author adopts structured employment systems model as the theoretical framework for this study.

2.2.3 Summary

The various labour market models of classical, neo-classical and institutional approaches cannot fully explain the main theme of the present study - why different treatments are applied to comparable employees in different segments within the same company. For example, one of the different treatments is in terms of relative wage levels. Some classical theorists attributed the wage differentials to the skill levels of the job and employee attributes. However, the economic characteristics of employees is an insufficient explanation for the differences in earnings, employment stability and working conditions among different categories of employee, in both Japanese companies in Japan and overseas.

Other classical theorists such as Mill (1909) accounted for the existence of wage differentials between occupations by the concept of barriers to mobility arising from the differences in social ranks. Members of lower social ranks are less able to receive training and education required to accede to the higher paying occupations. These institutional barriers to entry into some higher paying occupations further raise wages in these occupations. This argument, based as it is on the institutional or labour market segmentation approaches, is relevant to the study of employment systems in Japanese companies in Japan and overseas. Some features of the dual labour market model such as the internal and external labour market, and the model of the "flexible firm" such as functional and numerical flexibility are particularly relevant to this study. However, they are still insufficient to explain fully about the differential treatment experienced among different employee groups within Japanese companies.

In brief, the theoretical framework to be adopted in this study should be based on employment systems which is able to interpret the structured nature of Japanese employment systems overseas, and to reflect different employment practices and their cost implications experienced by different employee groups. Furthermore, it needs to accommodate the fact that the labour market structures of Japanese MNCs, especially those in the retail sector, in both Japan and overseas are undergoing stratification.

2.3 AN EVALUATION OF EMPLOYMENT SYSTEMS MODEL AS THE THEORETICAL FRAMEWORK

Turning from the evaluation of various labour market models in the previous section, this section is concerned with evaluating the appropriateness of using employment systems model to this research. Firstly, the argument as to why employment systems should be used in this research to examine Japanese management overseas as opposed to other options and techniques used in the existing studies is developed. Secondly, the labour market structure in both Japan and their overseas subsidiaries are examined. It aims at showing the development of multi-layered employment systems in companies in Japan and their overseas subsidiaries which is especially obvious in the current recession

2.3.1 Employment Systems Vs Other Techniques

Empirical studies of employment policies and practices have been done in various options and techniques. For example, Huselid (1995) stressed that the performance of work systems depends on the use of extensive recruitment, selection and training procedures, formal information sharing, attitude assessment, job design, grievance procedures, labour management participation programmes, performance appraisal, promotion and incentive systems that recognise and reward employees. However, much existing research that has tried to demonstrate the links between HRM/employment systems and organisational performance is not powerful enough to create the first precept of trust – deterrence. The assumptions that have built into the bundling of HRM/employment policies and in particular the choice of financial performance measures make the task of showing such linkages impractical because most "raw" organisational performance measures are subject to situational manipulation which is not reflective on the inner strength of the organisation. Thus, simply measuring "inputs' such as HRM/employment policies and "outputs" such as broad organisational performance is likely to mask the sophisticated set of linkages that really exist between HRM/employment systems and performance (Sparrow and Marchington, 1998).

Whitley (1992) analysed the constituent elements of national business systems by examining the role of the state and financial sectors, national systems of education and training, employment and tenure expectations, and national cultures which are combined to create "national business recipes". Schuler and Rogovsky (in press) also analysed HRM/employment systems by national cultures. This approach helps to understand the different national frame of reference for employment systems or HRM strategies. However, the understanding about the link between HRM/employment systems and the national business system within which it resides is being built upon an comparative basis. Although this approach helps researchers to gain insights into best practices by understanding about the importance of national business systems in a macro-level, it cannot analyse HRM/employment polices and practices in a micro-level. This approach cannot explain the reasons why different employee groups within the Japanese retail companies in Hong Kong experienced various employment conditions.

In summary, other options and techniques used in the comparative HRM literature are not sufficient to develop the argument that the employment systems of Japanese companies overseas is structured or multi-layered. On the other hand, the examination of employment systems by Hendry's (1995) model can help this research to develop a multi-layered or structured perspective of the Japanese management in the retail sector overseas that other options cannot.

2.3.2 Labour Market Structure in Japan and Japanese Overseas Companies

The reason why an employment systems study should be adopted in this study to show that different employee groups are employed in various labour markets in Japanese companies overseas is due to the fact that an increasing trend of multi-layered employment structure is developing in Japanese companies in Japan and their overseas companies. In order to show the appropriateness of adopting structured employment systems model for the contribution of methodological or analytical knowledge, literature on the labour market structure in Japan and Japanese overseas companies is reviewed.

The literature on Japan's labour market structure can be categorised into two main types – the dual labour market and structured labour market. The dual labour market studies described the labour market structure of Japan as characterised by two types of labour forces – internal and external. These two types of labour forces are related to Japan's dual economy which consists of both large and small companies (Littler, 1983). The internal labour market (ILM) exists mainly in large companies. It provides jobs with high pay, and shields the internal labour force from the direct influence of competitive forces in the external labour market. The smaller, more labour-intensive companies provide jobs with less stability, lower pay, poorer working conditions, less training, and less advancement prospect. Thus it results in high labour turnover in the external labour market (ELM). The labour forces in the ELM frequently function as subcontractors for large companies. Seventy percent of small- and medium-sized companies in Japan provide subcontracting production to large companies with cheap and flexible labour (Chalmers, 1989). These two types of labour force come together in a complementary and exploitative relationship via the mechanism of subcontracting (Koike, 1983a and 1983b; Littler, 1983; Kidahashi, 1987; Chalmers, 1989).

The structured labour market studies described Japan's labour market as structured rather than in a core-periphery dichotomy (Clark, 1979; Inohara, 1990; Kamada, 1994). In contrast to Littler's (1983) dual economy argument, some scholars suggested that the Japanese labour force is heterogeneous because large and small companies are not in stark contrast but in a continuous variation. This is related to the fact that the economy is characterised by an industrial gradation rather than a dual economy (for example, Clark, 1979). They argued that although Japanese employees can be broadly divided into two types - *sei-shain* (regular) and non-regular category, they can be further divided into several sub-categories within each main type of employee category.

The **regular** employees can be stratified according to their stability. First, the male graduate employees from well-known universities tend to be the most stable employees among the regular employees. They tend to join large companies in the *kanri shoku* (managerial grade).[1] Although they customarily have no written employment contract, they have job security until the mandatory retirement age because they are employed in the ILM (Inohara, 1990). Second, the male employees who have graduated from less well-known universities and high school tend to be less stable compared with the former type. They tend to join small to medium-sized companies and normally leave their first employer to find jobs elsewhere. These mid-career recruits may not suffer by leaving their jobs because they may not necessarily move to smaller companies (Clark, 1979). The third sub-type is the female graduate employees

[1] Japanese companies divide regular employees into two major grades - *kanri shoku* (managerial) and *ippan shoku* (clerical). There is a bar between the two grades, and it is difficult for employees to move from the clerical to managerial grades.

who are employed in both large and medium- to small-sized companies. Japanese companies consider women as the least stable employees. Therefore, female staff can only join the company in the *ippan shoku* (clerical grade) with limited promotion opportunities to the managerial grade. Furthermore, both the company and the female graduate employees themselves expect to leave their job when they get married (Kopp, 1994b).

There are different types of employee within the **non-regular** category. The first type is *shokutaku* employees who originally belong to the group of regular employees transferred to the companies' subsidiaries after retirement age. They are likely to receive less pay as a result of the transfer (Clark, 1979). The non-regular employees can be further divided into *rinji yatoi* (temporarily employed), *kisetsu rodo-sha* (seasonal workers), *hi yatoi* (daily workers), and *arubaito* (part-time workers). The part-time workers can also be divided into *jun shain* (associate employees), *teiji shain* (fixed hour employees), *kikan shain* (fixed period employees) and *paato* (occasional employees). In brief, Japanese companies in Japan practise multi-layered structured employment systems (Inohara, 1990).

This multi-layered employment structure has intensified during the economic boom in the 1980s. Many knowledge-intensive industries, such as finance, securities, electronics, computers and retailing grew rapidly, and there is a sudden demand for technical specialists. Due to the sudden increase of demand, these knowledge-intensive companies did not have enough time to train and develop their own technical specialists, but had to recruit mid-career employees from the external labour market (Befu and Cernosia, 1990). As a result of a shortage of highly educated male technical specialists, some employers had to extend permanent employment to university-educated female technological graduates (Japan Institute of Labour, 1984). Therefore, large Japanese companies, particularly those in the banking and financial sectors, found it difficult to confine female labour to *ippan shoku* (clerical positions) as they saw career-minded female employees as an important factor in enhancing their competitive edge. They had not only opened up promotion opportunities for their female employees to the specialist positions, but also to the male-dominated *shokuno shoku* (managerial positions). Thus, Japan's labour market has been undergoing further stratification since the 1980s.

This multi-layered nature of Japanese employment structure has further intensified during the post-bubble recession in the 1990s. Many large companies have to cope with declining profits by *shukkoh* (transferring or loaning) a large number of middle-aged core employees to their smaller subsidiary or subcontracting companies. Previously, when a middle-aged employee was transferred to a subcontractor, it was a step up in the career since they were considered one rank higher than the subcontractor's employees. However, when such large numbers of employees are loaned out, they are degraded to the rank of the subcontractor employees (Kamada, 1994). That is, these *shukkoh* employees have less security and less pay. In turn, the employees of the subcontractors are pushed out to subcontractors smaller in size and lower in hierarchy which has created a stratum of unstable employment.

Another change which has stratified Japan's labour market structure during the post-bubble recession is the increase in the employment of temporary and part-time staff as a replacement for full-time staff. The number of registered temporary workers reached 500,000, and the total value of contracted temporary services in Japan exceeded 1 trillion yen in 1992 (Kimura, 1995). Women constitute the bulk of temporary and part-time workforce. This suggests that the employment of female workers is increasing, and that female workers are replacing male workers in this category (Takao and Nemoto, 1995).

In summary, the employment structure of Japanese companies in Japan is a multi-layered one. During the current post-bubble recession, this multi-layered employment structure of Japanese companies in Japan is stratifying into more multi-layers.

Turning from domestic issues to international concerns, the multi-layered employment structure in Japan has apparently extended overseas. Japanese companies use multi-layered employment systems to deploy employees and their skills in a cost effective manner for carrying out business strategies. The movement of Japanese companies overseas is also an economical rational behaviour which helps them maintain their price competitiveness. In the process of investing overseas, the Japanese multinational companies are increasingly deploying a stratum of workforce - the local employees of the host countries - in the external labour market. The main objective of employing local employees is to increase the company's numerical flexibility so that they can reduce production costs and keep the price of Japanese products competitive (Takao and Nemoto, 1995). On the other hand, Japanese MNCs can maintain the company's functional flexibility by employing Japanese expatriates in their overseas subsidiaries.

Nevertheless, Japanese overseas companies not only employ Japanese expatriates and local employees in a dual labour market, but also categorise them into several employee groups according to their employment conditions like that in Japan. Thus, employment structure of Japanese overseas companies is somehow similar to the multi-layered structure of the Japanese companies in Japan. In other words, the dualist approach missed out the characteristics of Japanese overseas companies' employment systems as it failed to explain the actual situation of their labour markets. Firstly, the labour market of Japanese overseas companies is not merely divided into two autonomous and discontinuous segments, but is segmented in many ways and by different criteria. It is because the identification of the core can shift when situations change. Secondly, the definition of key skills has weakened the notion of the core. The evaluation of which skills are core is complicated by the fact that skill is socially constructed and gendered. For example, although certain positions such as the *ippan shoku* are occupied by female employees, the increasing demand for technical specialists has opened up career opportunities for many mid-career and female employees in Japanese companies. Thirdly, the dualist approach has neglected the pre-existence of discrimination against non-parent company nationals (local employees) and sexual segregation.

Therefore, the study of the employment systems of Japanese overseas subsidiaries should be conducted by a theoretical framework encompassing various labour markets in which different groups of employee are employed.

2.3.3 Summary

In summary, in the context of the changing labour market at home, companies in Japan have demonstrated an increasing trend towards using **structured employment systems** with different groups of employees – generalists, professionals, mid-career, female, loaned, part-time and temporary employees – in the current post-bubble economy. The changes in Japan imply that for the analysis of the Japanese employment systems overseas, different categories of employees based on their national origins, level of hierarchy, types of profession and skill, gender, and employment status should be taken into consideration.

Furthermore, since other techniques for studying comparative pattern of HRM, such as those employed by Huselid (1995), Whitley (1992) and Schuler and Rogovsky (in press), do not examine organisations from a micro-analysis level, it shows that a theoretical framework which can differentiate employment practices among different segments of employee has been largely neglected in the existing literature.

2.4 STRUCTURED EMPLOYMENT SYSTEMS MODEL

In view of the structured nature of Japan's labour market described above, Hendry's (1995) structured employment systems model is employed. The model consists of complex typologies which may closely reflect the real labour market structure of Japanese overseas subsidiaries. It originates from both Piore's (1975) and Osterman's (1984) models. The major strength of Hendry's (1995) model is its ability to integrate the structured aspects of the various labour market models. Therefore, it can explain how employees' experiences vary based on their position in the labour market in terms of the ways they are recruited, hired, promoted, supervised and paid.

The structured employment systems model brings together four labour markets - the internal labour market (ILM), the external labour market (ELM), the occupational labour market (OLM), and industrial clerical labour market (ICLM)[2] - and suggests how companies manage the boundaries between them. This framework helps to provide understanding of how different employment systems (ways of managing employees) within a company respond to different sets of factors which in turn affects the company's management approaches in recruitment, pay, training and career practices, etc.

The model suggests that various employment systems can be applied to different groups of organisational members within the same company. The first employment system to be discussed is the ILM which offers "jobs with relatively high wages, good working conditions and chances of advancement, equity, due process in the administration of work rules, and employment stability" (Piore, 1975: 2). According to Hendry (1995: 228) the results of the internal labour market are that:

> Employees [in the ILM] know one another and know the organisation's philosophy . . . [T]hey develop behaviour and work characteristics which ensure dependability. This provides an environment or 'culture' which reduces the need for direct supervision. In return, the organisation manages work relationships through bureaucratic rules and procedures.

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[2] Hendry (1995) originally called industrial clerical labour market (ICLM) as technical industrial labour market (TILM). He revised TILM to ICLM to incorporate both office and industrial staff.

The workforce in the internal labour market is regarded as more reliable and effective. The ILM workers perform a range of tasks and work flexibly across traditional skill boundaries in return for job security and higher pay. Since these employees are 'functionally' flexible, the firm invests in them through training and development of new skills, making them increasingly separate from the external labour market. In other words, employee commitment in the ILM which cannot be elicited in the ELM is created and managed by the means of pay, communication and involvement in problem-solving through job training (Hendry, 1995).

However, the concept of "a career for life" has been eroding and the internal labour market is breaking up. Organisations pay more attention only to elite staff for succession, but less attention to general career staff. Therefore, the elite staff remain in the ILM. The ordinary employees with low skills have to struggle as best they can by their own effort in a less secure and favourable job circumstances. Their jobs become less favourable especially resulting from the deskilling effect of modern technology. They are employed in the industrial/clerical labour market (ICLM).

The employment conditions in the ICLM differ from those in the internal labour market. The employees of ICLM work in the lower tier of Piore's (1975) primary sector or Osterman's (1984) salaried subsystem, whereas the elite staff in the ILM work in the upper tier of Piore's (1975) primary sector or Osterman's (1984) industrial subsystem. Since the skills required for the ICLM jobs can be learnt quickly, companies only provide on-the-job training to ICLM workers which makes their skills specific rather than general. Because these employees employed in the ICLM are easily recruited and easily fired, companies can vary their numbers according to the company's level of activity (Hendry, 1995). This type of employee is relatively appealing to employers because they are 'numerically flexible'(Osterman, 1984).

In the Western countries, there is a trend that the ICLM system is eroding under the increasing use of human resource management or commitment system which experiments with methods such as job enrichment and quality of work life (Lawrence, 1985; Beer *et al.,* 1990). Nevertheless, a reverse process seems to be occurring in Japanese overseas companies. Non-Japanese local managers and employees working for Japanese overseas subsidiaries are continuously employed in the ICLM.

The third kind of employment system is the occupational labour market (OLM), or Osterman (1984)'s craft subsystem. Computer programmers and craft workers who learn their skill outside the company are typical examples of OLM workers. Some employees have a stronger occupational identity, and have favourable attitudes to training. They possess recognised skill which is more favourable to those in the internal labour market. Companies which have limited control over training are not able to regulate the availability of these workers. Therefore, the professionals of the OLM have much influence in controlling their own conditions such as development of their skills, access to jobs and level of pay. They are loyal to their professions or occupations, and can look for new jobs and self-betterment by moving between organisations via the external labour market (Osterman, 1984). In other words, the employees of OLM have more market power than employees of other employment systems. In contrast, the conditions of skill and pay of the ILM workers are largely determined by the employing organisation (Hendry, 1995).

Finally, in the external labour market (ELM), jobs tend to be low-paying, with poor working conditions, and little chance for advancement. Relationship between workers and supervisors is highly personalised which leaves wide latitude for favouritism and is conducive to harsh and capricious work discipline. Thus, the employees of ELM have high turnover (Piore, 1975). Furthermore, since workers are assumed to be competing for all jobs all the time, companies can take immediate action to adjust the numbers employed to the level of business activity (Hendry, 1995). Both secondary peripheral groups and low-skill external workers, in terms of Atkinson's model of the "flexible firm" (see Figure 2.1), belong to the external labour market. The second peripheral group are part-timers and temporary workers who perform the same kind of jobs as the industrial/clerical labour market, and are also `numerically flexible'. The external workers work outside the firm, performing either routine or very specialised tasks. They provide financial flexibility, since they enable the company to limit its financial commitment (Hendry, 1995). In this way, the structured employment systems model is adopted to classify labour markets in companies, and to understand the boundaries of the labour markets.

Furthermore, Hendry (1995) also pointed out that a company's employment strategy and system also depends on various external factors such as competitive environment, economic sector, trade unions, professional associations, government intervention and so on. For example, in a fully employed or labour-shortage economy, or an industrial sector in which skills can be learnt quickly, if employees are poorly paid, lack job security and have few advancement opportunities and career prospects, they tend to be mobile in order to get high earning since they have more chance of promotion only when they move to other companies. This creates a vicious cycle because companies will not invest training in these employees due to their high turnover rate.

In other words, the way a company manages the different groups of staff is partly determined by factors it can control, and partly by an accommodation to those it cannot (Hendry, 1995). The factors the company cannot control include the external competitive environment, nature of the labour markets, the supply of labour, the infrastructure developed by the industry in which the company operates (e.g. sector-specific system of training and pay rates), and government intervention in the labour market (e.g. through education, employment legislation and pay policies). The factors the company can control include business strategy, the technology adopted, and employment strategies. In mediating these controllable factors, companies have three aims in their employment systems - minimising cost, maximising predictability, and flexibility (Osterman, 1987). Therefore, because of the importance of the economic consideration in the employment systems, this study analyses the cost characteristics of factors which can be controlled with the focus on the employment practices such as human resource management and organisational practices.

The theoretical framework of this research bases on Hendry's (1995) structured employment systems model. In summary, the model is characterised by different labour markets, namely the internal labour market, the external labour market, the occupational labour market, and industrial clerical labour market. Hendry's (1995) model encompasses the internal structural factors of the employment systems and the external environmental factors. It helps to reveal the reality of Japanese international management systematically. The major strength of Hendry's (1995) model is its ability to integrate the structured aspects of the various labour market models. It is particularly suited to the examination of Japanese management practices in the retail sectors of Hong Kong because it can explain how employees' experiences vary based on their position in the labour market in terms of the ways they are recruited, hired, promoted, supervised and paid.

2.5 PROPOSITIONS AND MEASUREMENT OF EMPLOYMENT SYSTEMS

Derived from the research objectives and research questions developed in Chapter One and the theoretical framework discussed above, this study uses Hendry's

(1995) structured employment systems model to examine the international management practices of Japanese department store companies. In doing so, this study tests the following three propositions:

Proposition 1: Japanese MNCs manage Japanese expatriates by an internal labour market (ILM); and manage local employees by an occupational labour market (OLM), industrial/clerical labour market (ICLM) and external labour market (ELM).

Proposition 2: High-cost core employment practices are applied to the employees of ILM, high-cost peripheral employment practices are applied to the employees of OLM, selected low-cost core and peripheral practices are applied to the employees of ICLM, and low-cost employment peripheral employment practices are applied to the employees of ELM. This is because the prime objectives of an employment system are to secure the skills of these employees, and to deliver their skills cost-effectively in order to carry out the business strategy[3].

Proposition 3: The cultural factors lead to the polarisation of Japanese and local employees, and the sectoral and technological factors lead to further stratification of local employees within the local subsidiary of Japanese multinational retail companies.

In order to test these propositions, the employment systems of each case company should be measured. As explained earlier, the constituent components of employment systems include organisational structure, organisational culture, roles of personnel specialists, job design, leadership style, job evaluation, recruitment and selection, pay and benefit, training and development, job assignment, communication, decision-making, small group activities, redundancy and so on. Among the various constituent components, six components – recruitment and selection, pay and benefit, and training and development, job assignments, communication and decision-making – showed varied cost implications applied to different employee groups in the pilot-test. In order to focus on testing the above three propositions especially Proposition 2 which tests the costs incurred in implementing various employment conditions to different

[3] Hendry (1995).

employee groups, these six constituent components are chosen to be measured and tested to identify employee groups employed in different labour markets.

2.6 CONCLUDING REMARKS

In summary, this chapter has explained what is an employment system, and reviewed various labour market models - classical, neo-classical and institutional approaches; and evaluated their potential applicability in the present study. It has also explained why it should be used to examine Japanese management overseas as opposed to other techniques. All these existing models and techniques have the common characteristic of omitting the underlying patterns of the employment systems in terms of both its structure and processes. Therefore, this phenomenon provides the author with a justification for adopting Hendry's (1995) structured employment systems model. The model is particularly relevant to the present study because the labour market in Japan is multi-layered and is becoming more so in the current post-bubble recession. Furthermore, the model embraces the hierarchical, structural, and gender components which helps explore why different segments of employees in Japanese MNCs are employed in different labour markets.

Existing studies of the core-peripheral dichotomy of both domestic and overseas labour markets of Japanese MNCs have neglected the multi-layered employment structure existing in the Japanese MNCs. Thus, the reality of Japanese international management is presented in an oversimplified manner, which reflects only a segment of the workforce within the MNCs. By adopting the structured employment model, this study fills this research gap in the studies of Japanese international management. The structured employment systems model is applied in the data analysis throughout the thesis. Before proceeding to the data analysis, the research methodology will be introduced in Chapter Three.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

Turning from the discussion of the theoretical framework which sets the guideline for the data analysis, this chapter aims to introduce the research methodology and provides an assurance that appropriate procedures for the data collection were followed. The chapter is organised under three major topics - research design, data analysis, and reliability and validity.

Section 3.2 deals with the research design. Firstly, it explains the unit of analysis, the methods of sample selection and their possible limitations. Secondly, it provides a rationale for the use of a case study approach as the research tool. Data collected from the case companies are used in the variable-testing of human resource management and organisational practices for understanding the employment characteristics, and in the investigation of companies' contextual and sectoral/technological factors leading to their use of structured employment systems. Thirdly, it looks at the three data collection modes - in-depth interviews, archival information and observations, and explains the procedures for the instrument construction and the guidelines for the face-to-face interview techniques.

Section 3.3 describes the method of data analysis. It explains the four levels of micro-analysis approach to examine the structured employment characteristics of the case companies. Section 3.4 deals with issues of reliability and validity of the research. It addresses the issues of bias in sample composition and measurement inadequacies which have potentially caused the research problems of reliability and validity. Furthermore, measures to minimise these problems are suggested.

3.2 RESEARCH DESIGN

A qualitative case study method of data collection was used for the study. Although a quantitative approach dominates the international management research, the potential for qualitative research design is gradually being recognised as a valid approach (Yin, 1989; Yeung, 1995). There were many reasons to use a qualitative approach for this study.

The first reason is related to the fact that the issue of employment systems of Japanese overseas subsidiaries was understudied. The actual knowledge of the working of the system was insufficient to allow the author to conduct a quantitative method. Therefore, a qualitative approach was adopted since it allowed an intensive investigation and flexibility in the conduct of research. It could provide "the optimum conditions for the acquisition of those illuminating insights which make formerly opaque connections suddenly pellucid" (Mitchell, 1983: 146). The second reason is that a qualitative approach is relevant for understanding the process which involves human subjectivity and for exploring the effects of socio-economic organisation on human life. The third reason for adopting a qualitative approach is that this study was characterised as an empirical inquiry of a contemporary phenomenon within its real life context. However, the phenomenon within its real life context is difficult to study by a quantitative method (Yin, 1989).

Since the results "illustrate aspects of social process and demonstrate certain theoretical principles" (Wallman, 1984: vii), inferences drawn from this study were qualitative, not quantitative. Yin (1989: 40) reiterated, "Since the role of theory is for 'analytical generalisation', it is a fatal flaw to use statistical generalisation as a method of generalisation." Thus, generalisation in a quantitative sense was not an issue in this study. What matters in this research was that the results would generate information and detailed exploration of the research questions, would provide an analytical representativeness, and would expand Hendry's (1995) theory of structured employment systems to the Japanese management in the retail MNCs.

Thus this study uses a qualitative multiple case study method. The findings generated from this method were "an ideal or an atypical type" of the wider phenomenon which could reveal clearly confirming or conflicting evidence (Yin, 1989). Although multiple cases might come out with different characteristics, the results could be used to compare and identify the similarities and differences among the four Japanese companies, and between the Japanese and British companies to discover the research themes and answer the research questions. For example, the comparison of HRM and organisational practices among the Japanese companies helps to identify their employment characteristics, and the types of structured employment system used. Furthermore, to supplement the finding of whether the characteristics of Japanese employment systems were related to cultural factors, the study of the British company helps to identify the differences in employment systems practised between Japanese and British MNCs.

A research plan and the data collection procedure were constructed to collect and elicit information from the selected companies and employees of the five case companies. Section 3.2.1 discusses the unit of analysis and selection procedure of the case companies. Section 3.2.2 explains the procedures and strategies for conducting the multiple case studies and variables testing. Section 3.2.3 elaborates on the modes of data collection - intensive interviews supplemented by archival information and observations, and the procedures for constructing instruments for data collection.

3.2.1 Unit of Analysis and Selection of Sample Companies

The **unit of analysis** for the research was the organisation of five department store companies – four Japanese companies in pseudonyms of Co.A, Co.B, Co.C and Co.D and one British company, Co.E (Table 3.1).

Table 3.1 The profile of the five sample companies (as of 1996)

Company	Co.A	Co.B	Co.C	Co.D	Co.E
No. of Employees	2,000	1,000	600	300	630
Ownership: Japanese Hong Kong British	 100% - -	 100% - -	 60% 40% -	 50% 50% -	 - - 100%
Age (years)	14	10	7	23	9
Location of Store Outlets	New Town	New Town	New Town	Downtown	New town & Downtown
Location of headquarters	Shanghai*	Japan	Japan	Japan	London
Modes of Entry	Wholly-owned	Wholly-owned	Joint venture	Joint venture	Wholly- owned
Types of Operation	General merchandising	General merchandising	General merchandising	Department store	Department store

Source: Based on the company reports of the five case companies.
Notes: *The parent company of Co.A was relocated to Shanghai, China from Hong Kong in July 1996.

There were eleven Japanese department stores operating a total of 24 outlets in Hong Kong in July 1996 (excluding three outlets which were closed during 1995 and 1996; see Appendix 1). Japanese department stores were considered as more advanced in retailing and marketing techniques compared with the locally-owned stores (Retail

Association, 1987). Those stores opened before the mid-1980s tend to sell higher quality merchandises and are located in central business districts. In contrast, those opened after the mid-1980s tend to sell more daily necessities and are located in new towns since their parent companies are general merchandising stores (GMS)[1].

Four Japanese companies were selected from the eleven Japanese department store companies. The profile of the four case companies is summarised in Table 3.1. These four Japanese companies represented a range of different sizes, ownership, age, location and types of operation. In terms of size, they ranged from employment size of 300 to 2,000 employees. In terms of ownership, they represented both wholly-owned and joint venture companies. In terms of age, they ranged from 9 to 23 years of operation. In terms of location and types of operation, they included both GMS located in new towns, and department stores located in new towns and downtown.

The above four Japanese companies were selected by two main criteria which governed the **selection of case companies**. The first criterion was related to the company's theoretical relevance for furthering the development of emerging themes of the study. The second criterion was related to the company's ability to maximise the opportunities for differentiating between concepts in this study. Thus, the case companies were chosen not on how representative they were in a statistical sense, but on their explanatory power and logical inference in which conclusions could be made on the validity of propositions (Glaser and Strauss, 1967; Bennett, 1991).

Because of the sensitivity of the topic and the difficulty of accessing the Japanese multinational companies, the researcher confined the research to the study of the retail industry in which connections were relatively abundant. Since the researcher had prior contacts with, and knowledge of, the case companies before framing this research; prior knowledge helped to discover the research questions from a grounded notion. After the data of four Japanese case companies had been collected, the researcher found that a British department store, Co.E could be added to distinguish the characteristics of employment systems adopted by the Japanese companies. The researcher approached the company by formal application.

Access to the case companies was less difficult since I had worked for two of the case companies – Co.B and Co.C – during 1987 to 1989 and had maintained

[1] The major difference between department store and GMS is that department stores sell merchandises by offering high level personal service, whereas GMS sell merchandises mainly through self-service (Okada, 1988: 123-4).

connections with them. Access to the other two Japanese companies occurred when I was introduced to several Japanese executives of the companies through Japanese friends in the late 1980s. Access to the British company was mainly through formal application which was relatively easy as the company was open to researchers. Basically, the researcher had an advantage of having known the Japanese executives in the four case companies for some years. Prior informal connections with these companies greatly helped the researcher in asking for research support. A formal application for research support would be difficult particularly among Japanese companies, because the Japanese put more emphasis on trust which could only be established through a long-term relationship. In addition to having prior knowledge of the retail industry, the researcher had the advantage of speaking fluent Japanese, and Cantonese, and possessing knowledge of the culture of both the Japanese and Hong Kong Chinese research subjects.

Nevertheless, the researcher was aware of several **possible limitations** in the selection of company samples. The first possible limitation was related to my former work experience with Co.B and Co.C. My work experience in these two companies occurred during their initial operation period - before and immediately after the official opening. Since that time, my contacts who were still working for the companies expressed the opinion that many changes had occurred. After the opening stage, local employees were involved more in the day-to-day operational functions rather than the planning and preparation during the pre-store opening period. However, the start-up period was conducive to my understanding of the emergence of work culture and interpersonal relations, particularly between the Japanese and local employees. Furthermore, it allowed me to have relatively easier access to other departments and sections within the companies into which it was difficult to gain access after the start-up period. During my data collection period between 1995 and 1996, I asked the employees to verify my impression of Japanese international management which I had acquired during 1987-89 to assess whether the impression was too time-specific. All of the interviewees agreed and supported my interpretation. The responses illustrated that continuity was a dominant factor in the employment structure in Japanese department stores since I left the case companies seven years ago.

The second possible limitation in interviewing the Japanese expatriate managers was that culturally they tended to give *tatemae* (superficial) and rigid answers and say what they were supposed to say to outsiders. This problem was alleviated by the use of five intimates among the Japanese interviewees with whom I had had a close friendship for some years. In addition, I tried to conduct my interviews with them in less formalised situations, such as going out together for dinner or drink. I found that the Japanese interviewees became less rigid and spoke out more directly about their *honne* (true feeling).

Although the four case companies might not be representative of all Japanese overseas investment in the retail industry, they were illustrative of the range of Japanese department store companies in Hong Kong in terms of ownership, size, type of operation and entry mode (see Table 3.1). Furthermore, the principles involved in the selection of the case companies could be seen as a kind of compromise which allowed the researcher to make fuller use of the established connections, access and knowledge of the case companies. In other words, the question of the representativeness of the data was subordinated to the central focus on the analysis and explanation. There is no reason to believe that the detailed evidence secured was atypical of the Japanese department stores in Hong Kong.

The third potential limitation was in the selection of the British case company – Co.E because it is renowned for its innovative managerial approach and "good" HRM policies, such as using a centralised recruitment system, having less gender inequality and strong communication channels, which is in fact an atypical example from the UK (Tse, 1985). However, Co.E was chosen since there were no non-Japanese department stores comparable to the Japanese cases in terms of size and nature of operation in Hong Kong at the time of the field work.[2] Co.E was selected in this study by two criteria. Firstly, it operated in the same type of operation in the department store business. Secondly, it employed the number of employees which was comparable to those of the Japanese companies. Furthermore, since the research adopted a positivistic approach which recognised observable phenomena from the case companies, Co.E can be regarded as a theoretical sample rather than a representative sample.

Finally, the fourth possible limitation of the research was related to the sensitive nature of the study of employment systems which made it essential for the researcher to guarantee the confidentiality and anonymity of all participating companies and individuals. To keep the research results neutral and confidential to prevent individuals from suffering any negative consequences from the research, I held no obligation to feedback any data to the case companies. Nevertheless, the researcher understood that there was a drawback of having little opportunity to validate the results apart from performing observations with the respondents during interviews in the field.

3.2.2 Case Study Approach

The qualitative case study approach was chosen as the methodology in collecting data from the five companies. A case study is defined as a detailed investigation of one or more organisations or groups within organisations to provide an analysis of the context and processes involved in the phenomenon under study (Hartley, 1994). There are two types of case study. The first type is for exploratory purposes and the second type is for hypothesis or proposition testing (Bennett, 1991). This study had already gone through an exploratory phase because the researcher had conducted studies in two of the cases companies Co.C and Co.D – in a former research project from which the original idea was developed. Rather, this research aimed at **testing propositions**.

For the proposition testing, this study selected a set of six variables – three from human resource management and three organisational practices – to identify the employment characteristics of employee groups. According to Proposition 1, Japanese MNCs manage the Japanese expatriates by the internal labour market (ILM) and manage the local employees by occupational labour market (OLM), industrial/clerical labour market (ICLM), and external labour market (ELM). According to Proposition 2, high-cost core practices are applied to the employees of ILM, high-cost peripheral practices are applied to the employees of OLM, a combination of selected low-cost core and peripheral practices are applied to the employees of ICLM, and low-cost peripheral practices are applied to employees of ELM. Accordingly, the results are examined on the basis of whether the groups of employee are employed under a core management practice, peripheral management practice or a combination of both practices.

Under the core practices, employees are managed by similar HRM and organisational practices as the regular core employees especially those employed in the internal labour market of the parent company. These practices include periodic recruitment, intensive selection, intensive induction, socialisation, generalist training by job rotation, seniority pay, cross-functional job assignment, intensive two-way

[2] Co.E was chosen to represent the Western retailing MNCs because it was the only Western company invested in Hong Kong. After the case study had been conducted in the mid-1996, another British department store - BHS, and a French department store - Carrefour were opened in October and December 1996 respectively.

communication and consensus participative decision-making (Yoshino, 1975a; Pascale and Athos, 1982; Trevor and White, 1983; Abegglen, 1985; Fukuda, 1988). In addition, in the context of Japanese management overseas, core practices also include the international management functions such as the provision of linkage between the parent company and overseas subsidiary, and transfer and implementation of the parent company's ownership-specific advantages to the overseas subsidiary. In order to perform international management functions, communication, coordination, integration and control are carried out (Dunning, 1985; Shimada, 1992; Pucik, 1994).

Peripheral practices refer to the HRM and organisational practices which are applied to non-regular employees outside the internal labour market. They include non-periodic recruitment, simple induction, specialist training, performance-based pay, specialised job assignment, one-way top-down communication and autocratic decision-making (Sethi *et al.,* 1984; Dedoussis, 1991; Pucik, 1994; Kopp; 1994b).

Furthermore, the cost characteristics of the HRM and organisational practices are significant in this study because the economic consideration in employment of retail MNCs in Hong Kong is important as most of them invest in Hong Kong for maximising prediction, flexibility and minimising costs. Thus, the results are also examined against the cost implications of the HRM and organisational practices on a cost continuum from low to high costs. A high cost practice means it requires high amount of investment in terms of time, effort, manpower, resources and costs in both intrinsic and explicit levels. On the contrary, a low cost practice means it requires a low amount of investment in terms of time, effort, manpower, resources and cost. Take the costs involved in recruitment and selection as an example, the recruitment methods used by Japanese overseas subsidiaries include periodic fresh graduate and mid-career recruitment. The periodic fresh graduate recruitment method involves high costs because it requires large amount of investment in terms of time, effort, manpower, resources and cost during the pre-recruitment stage, recruitment and selection stage and post-recruitment stage. Conversely, the recruitment of part-time local employees involves low costs because they are just recruited by walk-in or referral which do not need any advertising costs. Furthermore, they are usually selected on simple criteria.

Regarding the process of proposition testing, three strategies were adopted. The first variable-oriented strategy was to compare and contrast the variables among employee groups. This permitted the identification of various employee groups within each case company (Miles and Huberman, 1994). In the process of comparing and contrasting the variables among employee groups, five major contingencies – national origin, skills/profession, hierarchy, employment status (full-time or part-time), and gender – are used to cluster the data for identifying each employee group. There were a number of rules emerged from the data which governed the categorisation of employee groups. Based on the existing literature that the Japanese management managed Japanese and non-Japanese employees in different systems, the primary clustering criterion was based on national origin of the employees. Then, within the primary employee group – Japanese and local (non-Japanese), subsidiary groups were identified basing on four post hoc contingencies – skills/profession, hierarchy, employment status (full-time or part-time), and gender – which were emerged from the data.

The second strategy of proposition testing is by cross-case analysis which generated explanations and advanced theories from the theoretical framework by a systematic comparison of the variables across the cases companies. After the employment characteristics and features were identified among the Japanese companies, the third replication strategy was adopted to examine the employment characteristics of the British case company – Co.E – to see whether the employment characteristics and pattern found in the British company matched with those of the four Japanese cases (Eisenhardt, 1989; Yin, 1989).

These strategies had several advantages in enhancing the case study method. Firstly, they enhanced the generalisability and reassured that the characteristics of structured employment systems employed by the Japanese companies were not wholly idiosyncratic. Secondly, they helped to deepen understanding and explanation since processes and outcomes across cases could be seen. Thirdly, they helped the researcher to find negative cases to strengthen the argument that the structured aspects of employment systems could be applied to other Japanese companies through comparing the differences across cases. Fourthly, they helped to pin down the specific conditions under which structured employment features occurred, and to form more general categories of how these conditions might be related (Glaser and Strauss, 1967; Miles and Huberman, 1994).

After the propositions were tested, the specific context and the factors affecting the adoption of particular employment systems should be understood. Although the interview schedules focused on the "how" and "why" questions, "how" and "why" structured employment systems were employed in the case company were not readily distinguishable. Therefore, the examination of company's context should be included as a part of the study (Yin, 1993). Two in-depth case studies on Co.A and Co.B were chosen to represent the two major types of employment systems identified. In the case studies, contextual issues such as the companies' history, backgrounds, business strategies, and competitive environment, and sectoral/technological factors leading to the use of the particular type of employment systems were investigated.

3.2.3 Modes and Procedures of Data Collection

The case studies used three modes of data collection – intensive interviews, archival information and observations – to achieve some triangulation of data. It allowed the researcher to address both specific data for variable testing of the employment characteristics, and a broader range of historical, attitudinal and observational issues and to draw "convincing and accurate" conclusions. The modes of data collection and the procedures of the instrument construction are explained below.

3.2.3.1 In-depth Interviews

The major source of data came from in-depth interviews which was an essential source of evidence for this study. Interviews furnished the research with a shortcut to prior history of the employment systems employed by the Japanese companies. Moreover, since meaning is socially constructed, interviews helped the researcher "to appreciate the interviewees' views of reality from the subjective response to the issues that are not structured in advance by the researcher's assumptions" (Burgess, 1982; Easterby-Smith *et al.*, 1991). The interviewees could follow their own logic and state the ideas on the subject freely with a minimum of restraint on their answers and expression. Furthermore, interviews not only helped to collect information, but also transform the context and information gathered for subsequent analysis in a continuous process.

Interviews gave the researcher a more realistic "feel" of the world that cannot be experienced in "cold" statistics (Hartley, 1994). Since it helped to gather information and descriptions of the "real world" of the interviewees from their perspective and interpretation, the researcher could see the research questions from the perspective of the interviewees, and to understand how and why the interviewees came to have a particular opinion with respect to the meaning of the employment systems.

Furthermore, through interviews, I could engage in active interaction and exchange of information with interviewees through various communicative channels and codes (Yeung, 1995).

Finally, some interviewees were more credible, believable and better informed than others (Dalton, 1959). Through interviews I could distinguish those who were better informed from those who were not. For instance, some of the interviewees might not be well informed or have experience of some of the questions. In-depth interviews allowed me to ascertain verbal and actual behaviour and the ignorance (don't know) of some of the interviewees, further proving my prior observations.

The instruments used in the interviews were two separate **interview schedules** – one for the expatriates, mainly Japanese and one for the local Hong Kong Chinese interviewees (Appendix 4). The purpose of the interview schedules was to keep the interviewer on track as data collection proceeded, to ensure parallel information was collected at different sites and to help categorise the collected data. In designing the interview schedules, the researcher tried to impose a low degree of structure by asking relatively open questions, and focused on specific situations and action sequences in the world of the interviewees rather than using abstract and general opinions (Kvalue, 1983). In this way, I could learn about the process by which the interviewees arrived at a particular point of view which could indicate how well the interviewees' opinion had been structured and considered.

The questions included in the interview schedules were developed in the following said process. Before embarking on data collection, a literature review was conducted on three aspects: international management, especially those related to Japanese overseas management, labour market, and employment theories. This led to the adoption of a theoretical framework, and the identification of research themes, propositions, and a number of key variables. The interview schedule for the expatriate interviewees was categorised into five domains - background information, employment practices, characteristics of employment systems, summary questions and demographic data. The interview schedule for the local interviewees was categorised into six domains - background information, employment systems, characteristics of employment systems, attitudes and opinions, summary questions and demographic data.

The interview schedules were pre-tested. The domain of background information concentrated on asking the kind of work the interviewee and his/her subordinates performed so as to find out the general employment relationships of the company. The domain of employment systems tried to find out the perception of interviewees about the management and employment systems of their company. This helped the researcher to compare whether the emerging employment patterns identified were consistent with those perceived by the interviewees.

As one of the research objectives was to test Proposition 2 about the cost characteristics of the labour markets for employee groups, interview questions in the domain of characteristics of employment systems should single out employment practices which had cost implications. The results of the pre-test showed that six variables – three human resource management practices (recruitment and selection, pay and benefit, and training and development), and three organisational practices (job assignment, communication and decision making) – had cost implications. Therefore, questions of these six variables were specifically asked in this domain which helped to categorise interviewees into different employee groups.

Each domain was approached first with the broadest, most open questions and unspecified response format to serve several functions. Firstly, it helped the interviewees to familiarise themselves with, and understand the conceptual language of the questions. Secondly, it allowed me (the interviewer) to steer the interviewees into the appropriate frame of reference when their line of thinking was not following the questions asked. Thirdly, it gave the interviewer an opportunity to change the language of the more specific questions which followed. The change of language was necessary in particular when the different levels of local employees – upper, middle management and lower hierarchy – were interviewed. Fourthly, these initial questions gave the interviewees chances to mull over the general problems in their minds and consider pertinent facts prior to their answering the more specific opinion questions.

Each interview was ended by concluding questions which steered the interviewees towards more positive experiences in order to avoid ending the interview abruptly by a difficult or threatening feeling. Sometimes, the interview was finished by giving the interviewees the opportunity to make comments which were not covered in the interview.

The average duration of interviews was one and a half hours. Some interviews lasted for more than two hours because some interviewees took a longer time to break the ice and tell their story. The length of interview was targeted at not exceeding one hour. However, it depended much on the personality of the interviewees. Some interviewees were passive and thus needed more leading questions in order to extract more information from them.

Turning to the **selection of interviewees**, a total of 120 staff from the five case companies – 100 from the four Japanese companies and 20 from the British company – were selected for interviews. The interviewees' profile of the Japanese and British companies are shown in Appendices 2 and 3 respectively. In each Japanese case company, five Japanese expatriates and 20 local employees were interviewed. In the British case company, one British expatriate and 19 local employees were interviewed.

The sampling of interviewees was based on several strategies. Firstly, only limited number of interviewees – 25 from each Japanese company, and 20 from the British company - were interviewed to test the variables of employment characteristics. Therefore, rather than "representative sampling", "theoretical sampling" was adopted to select the sample of interviewees "to seek samples of population, events, activities guided by his or her emerging (if still primitive) theory" (Strauss, 1987: 16). In other words, this research used a positivistic rather than an interpretative approach (Eisenhardt, 1989).

The theoretical sampling method could make comparisons implicitly and explicitly according to various sub-dimensions and theoretical categories. In this study, the comparison was useful to distinguish employee groups employed in different labour markets. The purpose in using the "theoretical sampling" method was to stimulate "theoretical sensitivity" to generate and test propositions (Glaser, 1978). Furthermore, the samples in each case company helped to form "analytical generalisation" disregarding the relatively small sample size. When the empirical results of two or more cases are shown to support the theoretical framework, replication can be claimed. As Yin (1989: 40) stated:

> Under the 'analytical generalisation', a previously developed theory is used as a template with which to compare the empirical results of the case study. If two or more cases are shown to support the theory, replication may be claimed.

Secondly, the basis upon which the interviewees were selected was determined by the research objectives. Although there were two distinct sectoral features[3] in the

[3] The two distinct features of the retail industry deserve to be mentioned in view of the selection of interviewees. The first feature is that female employees dominate the retail industry's employment. They account for more than 75 percent of the total number of employees in the retail industry. Related to the first feature, the second feature is the employment structure of retail firms. Retail firms tend to have a flat organisational structure with a small pyramid of male managers at the top and bulk of female employees occupying the lower sales positions (Maguire, 1991). These two features apply to Hong

Hong Kong retail industry regarding the male-female ratio in different hierarchical levels, the proportion of interviewee sample did not correspond to the male-female proportion of the retail industry as a whole. It is because the major objectives of this research were to find out the types and characteristics of employment systems, and to identify employee groups employed in different labour markets. Thus, the sample of interviewees was chosen on the basis of hierarchical levels and functional departments.

In each Japanese company, one Japanese was chosen from the top management level. A total of 14 staff – four Japanese (two from operational and two from administrative department) and ten local Chinese (six from operational and four from administrative department) – were chosen from the managerial level. A total of six local Chinese staff - three from operational and three from administrative department - were chosen from the supervisory level. A total of four local Chinese staff were chosen from the sales level (Appendix 2). In the British company, a British and a local Chinese staff member were selected from the top management level, ten local Chinese - five each were from the operational and administrative department - from the managerial level, and supervisory level. Four local Chinese staff from the sales level were chosen for interviews (Appendix 3).

The third strategy for the selection of interviewees was to draw diverse sources of interviewees, rather than relying solely on interviewing the personnel department. Although the personnel staff might be more aware of the issues about employment and human resource management, they might be less well informed as to how the strategy and practices were implemented and what actually took place on the sales floor and back office within the department store. In addition, information necessary to make analysis and to reach conclusions might be withheld by the personnel department. For example, personnel managers tended to provide formal and generalised accounts of human resource practices, or just explained the formal policy. They neither entered into concrete explanations about recent specific case histories, nor acknowledged deviations from the policies. Even if they acknowledged the deviations at all, the deviations were always presented in a manner which appeared as developments beyond the control of the company. To supplement this weakness, staff from different levels and departments were interviewed.

Kong's retail companies (Retail Association, 1995). However, the interviewee sample was selected not on the male-female proportion of the retail industry.

The fourth strategy was the use of intimates to overcome the problem of interviewees' insufficient openness. Apart from making a formal approach to the top management of the case companies for support, I selected some interviewees from intimates (Dalton, 1959). Because of my former work and research experience, I had been acquainted with the intimates for some years before this research was conducted. I maintained my friendship and expanded my circle of friends through the introduction of my earlier intimates. The number of intimates varied in different case companies. However, number is less important than the individual's reliability and knowledge, and the rapport achieved with them (Dalton, 1964). I had a total of 19 intimates - 4 intimates (1 Japanese and 3 local Chinese) in Co.A, 3 (1 Japanese and 2 local Chinese) in Co.B, 6 (2 Japanese and 4 local Chinese) in Co.C, 5 in Co.D (1 Japanese and 4 local Chinese) and 1 local Chinese in Co.E. In Co.D, one of the intimates had been working with the company for 12 years and was well informed about her company.

The intimates were invaluable to this research since they were more likely to tell their true feeling of the company as the management was not behind them to set the scene. Therefore, they improved the validity of this study (Dalton, 1959). Furthermore, the intimates improved the research efficiency since they accelerated reactions, and sometimes sketched events and conversations they thought relevant to the research. The most important aspect of having such intimates is that they were available for return interviews. This enabled me to seek explanations of certain answers from the intimates, and to examine actions over a period of time for consistency and reliability.

3.2.2.2 Archival Information

One of the supplementary sources of evidence to interviews was archival information. It included "pre-existing materials" such as statistics published by the government (e.g. employment and wage level), historical documents and autobiography (e.g. several autobiographies written by the chairman of Co.A), company leaflets (e.g. leaflets published for publicity and recruitment purposes), annual reports, internal documents, newspaper cuttings, press release and so on.

From the archival information, the general organisational background and organisational structure of the case companies could be studied before in-depth interviews were conducted. The significance of archival information was to prepare the interview schedules, verify the correct spelling of titles and names, and check the reliability of information derived from interviews and observation.

Furthermore, the archival materials were mainly used in the case studies of Co.A and Co.B to triangulate the structured employment characteristics derived from the primary data of intensive interviews and observations. They helped to identify the contextual factors leading to the use of employment systems through the information on organisational history, ownership, business and labour markets, competitive situation, performance and growth, the evolution of business strategies and management structure.

3.2.2.3 Observations

Another supplementary source of evidence is indirect observations which was conducted mainly in the back office before or after interviews. When I made an appointment for an interview, I usually arrived at the work place of the interviewees at least 15 minutes earlier than the appointed time. Since I had a long relationship with the Japanese companies, I was allowed to move around the back office by myself to greet people I knew. In this way, I could verify the information I obtained from the previous interviews. For example, when interviewees mentioned that morning meetings were used as a means of training, I arranged with the Japanese management to attend morning meetings which were usually conducted before the store's daily opening. Furthermore, I went back as a customer to check whether managers perform gift-wrapping or worked on the sales floor during the busy retail seasons. In this way, I acted as an "indirect" observer since my presence in the field was sporadic over a period of time and did not have actual participation in the company's work. Therefore, the observations were operated by "moving in and out of the organisation to deal with other work . . . and in a nature of interrupted involvement" (Wax, 1983; Whyte, 1984, 1995; Easterby-Smith *et al.*, 1991).

In the observation, I adopted Perkins' (1981) observation form to record phenomena of interest in situations of both formal meetings and casual observation (see Appendix 5, p.188). The purpose of observations was to capture the routine and typical organisational practices, based on the assumption that the phenomena were not "purely historical" and that some behaviours and conditions in the field could be observed (Yin, 1989). The observed phenomena were used as pointers for some underlying patterns rather than the major source of evidence since the researcher had only conducted observations on limited in scale.

3.3 DATA ANALYSIS

In this study, data collection and data analysis were developed together in an iterative process. In other words, during the data collection stage, I analysed the data from the transcription by initial data reduction. It helped the researcher to cycle back and forth between thinking about the existing data in order to generate strategies for collecting new or more relevant data, and to correct built-in blind spots (Glaser and Strauss, 1967; Yin, 1989).

The data was analysed by four micro-analysis levels. Since the first research objective was to find out the types and characteristics of structured employment systems, the **first level of data analysis** examined the characteristics by testing six variables of human resource management and organisational practices. In this level, the researcher "tie together different pieces of data into a recognisable cluster which have commonalities" (Glaser, 1978: 83) according to Hendry's (1995) theoretical framework. In the process of testing each variable, the data collected from each interview was examined according to how each interviewee was managed under the human resource management and organisational practices, and the costs involved. Then the interviewee was categorised into the employee group according to his/her national origin, skill, profession, hierarchy, employment status and gender.

Since the sample of interviewees was selected according to the "theoretical sampling" method, the researcher developed the data through "concept saturation". After the patterning and clustering, the data was shuttled back and forth with the more general categories which involved more abstraction and conceptual process until the category was "saturated" (Glaser, 1978).

Furthermore, the data was presented in two major ways. Firstly, the data was quantified among the employee groups showing both the percentage and number of interviewees under which they were managed in each human resource management and organisational practice. The analysis relied on the theoretical propositions that employee groups were managed either by core or peripheral practices involving various costs. Numbers and their distribution were displayed to explain the general draft of data which supported or counter-supported the pattern of structured employment features.

With the aid of numbers and their weights, it helped to prevent a possible bias, and keep the researcher analytically honest.

After all employee groups had been identified in each employment practice, the data of the number of employee groups and the costs involved was displayed systematically in tables and figures respectively to search for patterns across the four Japanese companies, to permit comparisons, and to examine how far they fitted or failed to fit the expected categories. The categories of employee were then compared and contrasted among themselves to illuminate the key findings relevant to the research objectives, and see whether any clusters which share certain employment characteristics or patterns can be identified such as the types of structured employment systems. Furthermore, this initial data deduction[4] helped the researcher to identify whether there was disconfirming data to Hendry's (1995) framework because the disconfirming data would indicate that further theory-building was required (Hartley, 1994).

In the **second and third level of analysis**, the data collected from the Japanese case companies was compared with those derived from the British case company - Co.E, and the existing literature of Japanese, European and American international management respectively. In this way, the data analysis could be enhanced because the researcher could verify whether the findings were consistent with or different from the existing research. The objective in using the empirical data derived from the British case was to see whether they show different results from those of the four Japanese cases as disconforming evidence. The objective in using the existing literature about the Japanese, European and American international management was to confirm from added evidence that the results of the Japanese cases were consistent with the literature of Japanese international management as recurring regularities. This two-way test suggested that the structured employment features were distinct among the Japanese MNCs, and related to their cultural characteristics.

Finally, the **fourth level of data analysis** was to identify the factors leading to the use of particular types of employment system in terms of the cultural characteristics of Japanese internationalisation strategies, sectoral characteristics of the department store industry and contextual factors of the company. According to Mitchell (1983), the atypical case companies should be accounted for in the context in which the cases were located. The different forms of structured employment system identified should be

[4] Data reduction is a process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcription (Hartley, 1994)

examined in relation to the context of the company. Therefore, one major characteristic in this level of data analysis was in-depth case studies to find out why they employed particular forms of structured employment system. In the case studies, the company's rationale was studied in relation to its background and history, competitive environments, business strategies, especially in relation to the strategy in the use of retail technology. In this level, triangulation of data was conducted by incorporating archival information to confirm the interview and observations data derived from the primary sources. Furthermore, the conditions under which the company adjusted to the factors they could and could not control through their business and employment strategies can be observed. This could enhance the understanding as to why the structured employment systems were adopted by the Japanese companies.

The objectives in using the four level analysis were to provide explanations and synthesis to the effects of key variables with the case dynamics, and to summarise similarities and differences on some variables across cases by taking into consideration of the context. "Otherwise, the results are artificial, having no direct representation in the real world communities" (Miles and Huberman, 1994: 199).

3.4 RELIABILITY AND VALIDITY

Several reliability and validity problems were encountered during the research. The major strengths and potential limitations of the research method, and solutions to tackle these problems are discussed below. It addresses issues, such as the bias in sample composition and measurement inadequacies which potentially caused the problems of reliability and validity.

3.4.1 Sample Composition

The issue of sample composition causes potential problems in reliability - errors and biases - which may limit the generalisation of the results. Six sources of potential bias were identified. They include the type of industry, size, nature of ownership, age, external socio-economic factors and organisational changes. These factors could have introduced significant bias into the research sample, making reliability of the results and conclusions questionable. This study has devised various ways to minimise these potential biases which are discussed below.

The first source of potential bias in the sample composition is the **type of industry**. The sampling frame of this study was confined to the department store industry only. The reason for focusing on the retail industry was because manufacturing, and some service industries such as finance, banking and trading had already been well researched. Furthermore, the retail industry has many sectoral features unique to the industry. For example, retail companies generally require managerial staff to have actual sales floor experience. Thus many fresh graduate staff usually need to perform low level jobs on the sales floor before being promoted to higher positions. This explains why cross-functional job responsibilities are practised more obviously in the retail industry than other industries. Bearing this in mind, I tried to fine-tune the interview questions to distinguish whether certain responses were related to the special features of the retailing industry even though I could not eliminate the effect totally.

The second source of potential bias is related to the **size of the case company**. The sampling frame might have been biased toward the larger companies since the activities of these companies were more likely to be noticed and reported. However, the extent of this bias was not expected to be significant since all case companies were large-sized companies employing more than 200 employees (see Table 3.1).

The third source of potential bias is related to the **nature of ownership** of the case company. The sampling frame of the Japanese companies included a balanced selection of two publicly held and wholly-owned companies, Co.A and Co.B, and two private and joint venture companies, Co.C and Co.D. Alternatively, the British case company, Co.E was a private and wholly-owned company (see Table 3.1).

The fourth source of potential bias is related to the **age** of the case companies. Three case companies – Co.A, Co.B and Co.E – were established during the 1980s. It may suggest that these samples were biased as two Japanese sample were established during the period when Japanese investment rushed into Hong Kong's retail industry. However, this bias was mitigated by the fact that Co.D was established in the 1970s and Co.C was established in the 1990s (see Table 3.1).

The fifth source of potential bias is related to the **external socio-economic factors**. Most of the Japanese case companies were undergoing economic difficulties during the fieldwork when they were adversely affected by the decreasing profitability in the parent companies as a result of the post-bubble recession in Japan. Many Japanese managers said they were not optimistic about their prospects of promotion back in the parent company. Therefore, their pessimistic views might have affected the interview data.

Furthermore, the economy of Hong Kong underwent signs of recession during the period of field work between mid-1995 and early 1996. It was the first time that the problem of unemployment had become more serious than the problem of labour shortage since 1983 (Census and Statistics Department, 1995). The unemployment problem in the department store industry had increased when three Japanese branch stores – two from Co.2 and one from Co.4 – were closed in 1994 and 1995 (see Appendix 1). This economic situation might have led to a change in the attitude of local employees. For instance, they might become more cautious in job hopping even though they might not be satisfied with their working condition.

The changes in the external socio-economic environment in both Japan and Hong Kong have to be taken into account because they might influence the attitude and behaviour of both the Japanese and local Hong Kong employees. Therefore, the researcher tried to differentiate these external factors from those of the Japanese international management practices. For instance, when the local interviewees said that they would perform cross-functional jobs, I tried to ascertain the reasons which had made them accept such a request - whether it was related to their fear of unemployment or the working norm in the retail industry.

The sixth source of potential bias is related to the **rapid pace of organisational changes** occurring within the case companies. For example, Co.A Co.B and Co.E had been undergoing some forms of organisational changes.[5] It might have led to a change of the overall organisational structure by the time the study was completed. Nevertheless, empirical evidence showed that these changes had not altered the employment strategy of these companies.

Furthermore, due to the high staff turnover rate in the retail industry, among the ten employees interviewed in the pilot study conducted in the early 1995, six had already left by the early 1996, including 2 Japanese expatriate managers who went back to the parent company. According to the empirical evidence, although the data collected from the pilot study was outdated, the reliability of the data was not affected. It was confirmed by the Japanese interviewees that the nature of organisational changes in the

[5] Co.A suffered from a serious financial loss. Top management of the company moved the headquarters to the PRC in July 1996. Both Co.B and Co.E expanded in Hong Kong steadily by opening more branch stores.

Hong Kong retail industry were more quantitative than qualitative. In other words, the essence of the employment issues discussed in this study remained unchanged, disregarding changes occurred within the case companies.

In summary, various factors of sample compositions such as size, ownership and age might lead to potential biases affecting the reliability and validity of the data. The researcher had taken into consideration these factors when analysing the characteristics of the structured employment systems.

3.4.2 Measurement Inadequacies

A study relying on in-depth interviews tends to be subjected to the limitation of inadequate measurement during the data collection stage which could threaten the validity of the result. The potential limitations of the measurement can be traced from both the interviewer and interviewees. Sources of invalidity from the interviewer include interviewer bias, interview schedule, coding inaccuracies, and interpretation of results. Sources of invalidity from the interviewees include selection of sample, openness of interviewee, collection of perceptual data, *ex post* rationalisation of responses and the potential for intentional deception. The ways to minimise these effects are discussed below.

The first source of interviewer's limitation is related to the **interviewer bias**. The use of semi-structured interview schedules might introduce interviewer bias because some interview questions were phrased in a slightly different manner according to the situation during the interview. However, since the analysis was based on the interview schedule which ensured identical ordering and phrasing of questions for each interviewee, the effect of the interviewer bias was expected to be negligible. Furthermore, the use of interview coding forms with topics arranged in chronological order enabled the interview format to be quite comparable between interviewees, thus reducing the potential effect of interviewer bias upon the data.

Another limitation in the measurement is related to the **interview schedule**. The issue of validity usually occurs as a result of the researcher's biases during the design of the interview schedule. The issue was tackled by the pilot-test of the interview schedules which were revised according to the comments derived from the ten interviewees. Therefore, the following questions were either taken out or added to the interview schedule. Firstly, leading questions which would suggest answers were avoided since they were loaded with social desirability and would make interviewees agree with the questions to support the accepted norm. Secondly, double-barrelled questions which put more than one frame of reference in one question were also avoided. To counter the invalidity of response due to lack of information, information filter questions (as shown in Appendix 6) were added to ask interviewees before they answered the opinion questions. Furthermore, reactive questions, hypothetical questions, high-pressure questions and channel questions were asked in the appropriate situation to enhance the validity (as discussed in Appendix 6).

Another source of invalidity in the interview schedule is related to language and translation. The limitation was minimised by the following procedure. Both interview schedules for local and expatriate employees were originally prepared in English. Then, the researcher translated the interview schedules herself into Cantonese and Japanese, and pre-tested with 7 local and 3 Japanese respectively.[6] This procedure aimed to find out whether the questions asked were related to the research problem and objectives, and to make sure the items were clear and unambiguous. The questions were translated back into English according to the pre-test results, and were revised in order to increase the focus of the research problems before they were translated into Cantonese and Japanese again. Words of multiple meanings, ambiguity and inadequacy were eliminated. The researcher made all these translations herself.

The third source of interviewer's limitation is **coding inaccuracies**. Potential inaccuracies in data coding and entry can influence the reliability and validity of the research results. However, this study had incorporated checks against coding inaccuracies. For instance, inaccuracies in note-taking of interviews were minimised by tape recording, careful sequencing of topics, use of interview coding forms, and review of transcribed field notes immediately after completion of interviews.

The fourth source of interviewer's limitation is related to her **interpretation of results**. One of the problems typically associated with research based on case studies is that the data obtained in the field work was not analysed and conceptualised until the end of the research. However in this research, the researcher carried out conceptualisation of data throughout the whole process of data collection to generate

[6] They worked for Japanese companies other than the four case companies (see Appendix 1).

emergent themes so as to build up the whole picture of the data. Therefore, it significantly reduced the likelihood of misinterpretation of the research results.

On the other hand, limitation in the measurement also comes from the interviewees. The first source of interviewee's limitation is related to the **selection of the interviewee sample**. In addition to the criteria according to the hierarchical level and functional departments discussed earlier, the selection of interviewees also relied on the availability of staff. It depended on the work schedule of staff – whether they could spare time for interviews – and their willingness to co-operate. However, the interviewees selected by their availability could not be viewed as a random sample in a scientific sense. The researcher, however, had made effort to include as many varieties as possible in the sample (Appendices 2 and 3), including intimates.

Furthermore in order to increase the interviewees' co-operation in the interviews, the interviewer avoided the busy retail seasons such as Christmas, Chinese New Year and weekends for interviews. Even so, a number of interviews were cancelled or postponed due to the unwillingness of local employees to stay for an interview after their office hours. This problem was overcome by arranging interviews during the less busy office hours such as before the store opening hours between 9:00 am to 11:00 am, and within the interviewees' working hours.

The second source of interviewee's limitation is related to the **openness of the interviewees**. Generally speaking, the interviewees had insufficient openness. However, I applied interview techniques (as described in Appendix 6) which helped to probe into issues in a more in-depth manner. Furthermore, the research could be guaranteed with relatively open answers from 18 intimates (18 percent of the total number of interviewees) in the Japanese companies, and 1 intimate (5 percent of the total number of interviewees) in the British company. These intimates provided invaluable source of data since they could be approached after the formal field work period for verification of data.

In view of reliability related to the medium of language used in the interviews, the problem of language could be reduced to a large extent because the researcher herself conducted the interviews with the Japanese and local Chinese interviewees in both languages of Japanese and Cantonese. This put the interviewees at ease, particularly the Japanese who were poor in English.

The third source of interviewee's limitation is related to the **collection of perceptual data**. Some of the interview questions required the *ex post* collection of perceptual data. For example, the question asking the local female employees whether they had experienced any gender-based treatment during recruitment and selection, the interviewees needed to recall their experience during the interviews. This might produce deficient research data when the interviewees could not recollect their experience on the spot, thereby hindering the ability to draw valid conclusions.

Extensive effort was undertaken to minimise the potential measurement inadequacies associated with the problem of *ex post* collection of perceptual data. For example, interview questions were handed out to the interviewees one day prior to the interview. Furthermore, the interviewer sequenced the interview questions carefully to minimise memory decay, thereby enhancing validity.

The fourth source of interviewee's limitation is related to the ***ex post* rationalisation of responses and intentional deception**. Potential problems confronting this study were the prospect of interviewees intentionally or unintentionally biasing responses via *ex post* rationalisations, over-intellectualisation and their intentional deception. These problems were mitigated by establishing trust and rapport. The interviewer tried to conduct most of the interviews after having an informal chat with the interviewees. Furthermore, interviews were usually conducted either in the company's meeting room, or coffee shops within the department store where the interviewees would not be overheard so that they could feel comfortable and private. This is especially important for Japanese companies because the open office layout tended to discourage interviewees from responding to the questions openly as they were anxious that other colleagues could overhear.

In addition, intentional deception could be minimised on a significant scale when the interviewer guaranteed confidentiality. Before each interview, I asked the interviewee if I could tape record the conversation. I explained that the tape recording was for transcription purposes and would not be exposed to any parties apart from the interviewer. Since the interviewees had the ultimate decision of the use of tape recording, their fears of being exposed could be minimised.

3.4.3 Summary

The quality of research design affects the validity and reliability of the study. In order to minimise subjective judgements of data and improve validity and reliability of the study, I used the following methods. Firstly, multiple sources of evidence – in-depth interviews, archival information and observations - to provide multiple measures of the same phenomenon.

Secondly, in order to limit the top management's interference during interviews, intimates were interviewed because their access did not need a formal approach to the top management of the case companies. This method had many advantages. The management could not set the scene and thus inquiry was not limited to specific areas. Furthermore, the interviewees were more likely to express their true opinion and feeling about the company when they knew that the company had no knowledge of the interview. Therefore, the validity of the study could be greatly improved (Dalton, 1959).

Thirdly, multiple case design was chosen for replication. The purpose of data analysis in a qualitative research was to generalise findings to theory. This study tested the three propositions through replications of the five case companies. When the replication had been made, the generalisation of the findings to the theory could be accepted (Yin, 1989).

3.5 CONCLUDING REMARKS

In this chapter, the issues of research design, data collection, data analysis, reliability and validity are addressed. Qualitative case study method was chosen since it allowed intensive investigation and flexibility in the conduct of research. In this way, the effectiveness of this study to achieve research objectives could be guaranteed. The qualitative case study method was an effective method to find out the employment systems of Japanese department store companies in Hong Kong, because it could illustrate the structured aspects of employment systems. The Japanese companies were studied to demonstrate the theoretical principles of employment systems. The British company was used to compare with the results of the Japanese case companies which highlighted two major features of structured employment systems in Japanese department store companies which are less distinct in the British company. Qualitative, rather than quantitative inferences were drawn from this study. Thus, the results of the study could generate information and detailed exploration of the research questions, and provide an analytical representativeness for expanding and generalising the theories.

The chapter lays the foundations for understanding how the data was collected and analysed, and the methodology was justified. In the next section, the characteristics and types of employment systems employed by the four Japanese case companies in Hong Kong will be discussed. It will use the first level of micro-analysis approach to test and examine the variables of HRM and organisation practices in the four Japanese companies.

SECTION II

STRUCTURED EMPLOYMENT SYSTEMS

SECTION II

STRUCTURED EMPLOYMENT SYSTEMS

STRUCTURE OF CHAPTERS

This thesis primarily seeks to evaluate the employment systems of Japanese department store companies in Hong Kong. Section II contains two chapters - Chapter Four and Chapter Five - which set out to explain the empirical evidence of structured employment systems found in the Japanese case companies. This section analyses structured employment systems from the perspectives of human resource management and organisational practices. Three HRM practices – recruitment and selection, pay and benefit, and training and development – are examined in Chapter Four. Three organisational practices – job assignments, communication and decision-making – are examined in Chapter Five. It uses the first level of micro-analysis approach to explain that various groups of employee are employed in different labour markets because they are managed by different HRM and organisational practices. The purpose of these two chapters is to address the first two research questions:

1. What types of employment system apply to the Japanese department store companies operating in Hong Kong?
2. What are the characteristics of the employment systems?

In both Chapters Four and Five, employee groups are identified on five criteria - national origins, skills/professions, hierarchy, employment status (full-time or part-time), and gender. Based on the findings of existing literature, two major employee groups - Japanese expatriates and local employees – were identified. They are adopted as the primary employee groups in the data analysis. Based on Hendry's (1995) theoretical framework, these employee groups can be further divided into subsidiary employee groups on the basis of skills/professions, employment status (full-time or part-time), and gender.

Each practice is analysed to test Propositions 1 and 2 which is tested on the basis of whether the employee groups are employed under a core or peripheral management practice, or a combination of both practices. Under the core practices, employees are managed by similar HRM and organisational practices as the regular core employees especially those employed in the internal labour market of the parent company. These practices include periodic recruitment, intensive selection, intensive induction, socialisation, generalist training by job rotation, seniority pay, cross-functional job assignment, intensive two-way communication and consensus participative decision-making (Yoshino, 1975a; Pascale and Athos, 1982; Trevor and White, 1983; Abegglen, 1985; Fukuda, 1988).

In addition, in the context of Japanese management overseas, core practices also include the international management functions such as the provision of linkage between the parent company and overseas subsidiary, and transfer and implementation of the parent company's ownership-specific advantages to the overseas subsidiary. In order to perform international management functions, communication, coordination, integration and control are carried out (Dunning, 1985; Shimada, 1992; Pucik, 1994).

Peripheral practices refer to the HRM and organisational practices which are applied to non-regular employees outside the internal labour market. They include non-periodic recruitment, simple induction, specialist training, performance-based pay, specialised job assignment, one-way top-down communication and autocratic decision-making (Sethi *et al.,* 1984; Dedoussis, 1991; Pucik. 1994; Kopp; 1994b).

Furthermore, the cost characteristics of the HRM and organisational practices are also examined because the economic consideration in employment of retail MNCs in Hong Kong is important as most of the foreign investors aim at maximising prediction, flexibility and minimising costs. Thus, the cost implications for each practice are shown on a cost continuum from low to high costs. A high cost practice means it requires high amount of investment in terms of time, effort, manpower, resources and costs in both intrinsic and explicit levels. On the contrary, a low cost practice means it requires a low amount of investment in terms of time, effort, manpower, resources and cost.

Take the costs involved in recruitment and selection as an example, the recruitment methods used by Japanese overseas subsidiaries include periodic fresh graduate and mid-career recruitment. The periodic fresh graduate recruitment method involves high costs because it requires large amount of investment in terms of time, effort, manpower, resources and cost during the pre-recruitment stage, recruitment and selection stage and post-recruitment stage. Conversely, the recruitment of part-time local employees involves low costs because they are just recruited by walk-in or referral which do not need any advertising costs. Furthermore, they are usually selected on simple criteria.

PROFILE OF JAPANESE CASE COMPANIES AND INTERVIEWEES

The data discussed in Chapters Four and Five was collected from a total 100 interviewees who came from four Japanese department stores which are given pseudonyms as Co.A, Co.B, Co.C and Co.D. Among the 100 interviewees, 18 of them were intimates who provided the researcher access to their *honne* (true feeling) rather than superficial answers.

All the Japanese case companies were large companies since they employed at least 300 employees (Appendix 1). Co.D had the longest history with 23 years of active operation in Hong Kong, and Co.C was the youngest with only 7 years of active operation by mid-1996. Both Co.A and Co.B were wholly-owned by Japanese while Co.C and Co.D were Japanese-Hong Kong joint ventures (see Table 3.1).

Co.D operated as a high-class department store located in downtown area and its target customers were both tourists and local people. It tended to sell merchandises by offering high level personal service. The three GMS companies - Co.A, Co.B and Co.C - located in residential areas and their target customers were the local residents. They tended to sell merchandises through self-service. Apart from Co.A, all parent companies were located in Japan. Co.A's parent company was located in Hong Kong (before it moved to Shanghai in July 1996) (see Table 3.1).

The profile of interviewees in each Japanese case company is shown in Appendix 2. In each case company, a total of 5 Japanese expatriates and 20 local employees were interviewed. All the Japanese expatriate interviewees in Co.B and Co.D were male. Co.C had 4 male and 1 female expatriates, and Co.A had 3 male and 2 female expatriates. Among the local interviewees, approximately half were male and half were female in each of the Japanese case company. The sample of interviewees for each Japanese company was selected in a consistent manner in terms of from each department and hierarchical level. The major variation of the selection of interviewees was in gender since it depended on the availability of staff for interview. The distribution of interviewees based on gender in each department and hierarchical level was shown in Appendix 2.

CHAPTER FOUR

STRUCTURED EMPLOYMENT SYSTEMS:

HUMAN RESOURCE MANAGEMENT PRACTICES

4.1 INTRODUCTION

In this chapter, discussion of the types and characteristics of employment systems is based on the variable testing of three human resource management (HRM) practices: recruitment and selection, pay and benefit, and training and development. These three HRM practices are examined because they are important in the context of Japanese management. Japanese companies employ core workers on the basis of functional flexibility. They recruit core employees mainly from fresh graduates on a periodic basis. The fresh graduate recruits are selected by their personality through a lengthy and intensive selection process because they are employed on a lifetime basis. Once they are employed, the core employees are managed by core HRM practices, e.g. intensive induction, socialisation, generalist training by job rotation, and seniority pay systems (Abegglen, 1985; Fukuda, 1988).

However, Japanese companies overseas tend to employ local employees on the basis of numerical flexibility. Therefore, they are mainly recruited from the external labour market on a non-periodic basis. Once they are employed, the local employees are managed by the peripheral HRM practices such as specialist training, and performance-based pay system. Based on the company's requirement of skills, knowledge and experiences, local employees are recruited, selected, paid and trained by different methods (Dedoussis, 1991). The existing literature suggests merely that Japanese and local employees are managed by different HRM practices based on national origins. However, according to Hendry's (1995) framework, companies also apply different HRM practices to employees based on their skills/professions, hierarchical levels, employment status (full-time or part-time), and gender.

Recruitment and selection are tested in Section 4.2, pay and benefit in Section 4.3, and training and development in Section 4.4. In each section, data is organised and presented in three ways. Firstly, categorisation of employee groups is based on

Hendry's (1995) theoretical framework to highlight the groups' national origins, skills/profession, employment status, hierarchy and gender. Based on the existing literature of Japanese international management, two primary employee groups - Japanese expatriates and local employees - are adopted for data analysis. Within each of the two primary groups, various subsidiary groups are identified.

Secondly, each subsidiary employee group is analysed according to the theoretical propositions to examine how they are managed, under core or peripheral practices, and the costs involved in these practices. The categories of employees are compared and contrasted to test the propositions and to illuminate the key findings relevant to the research objectives.

Thirdly, at the end of each section, the case companies are compared in terms of the number of employee groups in each company, and employment characteristics. Furthermore, companies with distinct HRM policies are identified to highlight the types of structured employment system used.

4.2 RECRUITMENT AND SELECTION

Recruitment is used to obtain a pool of qualified future human resources which will assist the organisation to achieve its strategic aims at a minimum cost (Schuler and Huber, 1993). There are two general sources of recruiting: internal and external. Internal recruiting seeks candidates who enter by way of initial "entry-level" for career positions. External recruiting attracts labour from outside the organisation. Selection gathers information about the applicants to determine who should be employed. It involves the process of assessment and placement which match individual skills, knowledge, abilities, preferences, interest and personality to the job (Schuler and Huber, 1993; Sparrow and Hiltrop, 1994).

Japanese overseas companies recruit Japanese expatriates internally, and local employees through external sources (Trevor and White, 1983; Inohara, 1990). The analysis below examines the variations of the recruitment and selection practice within the primary employee groups of Japanese expatriates and local employees.

4.2.1 Japanese Expatriates

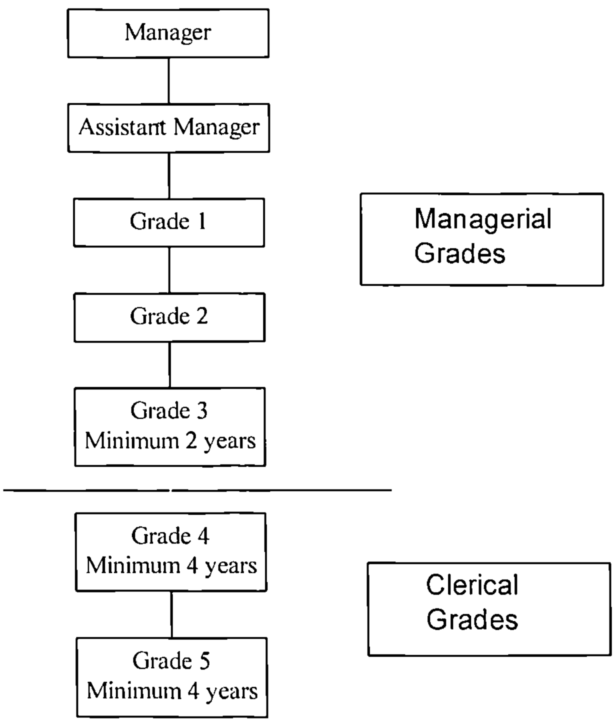
Evidence shows that male and female interviewees were recruited and selected by different methods when they joined the parent company and overseas subsidiaries.

Thus, Japanese expatriates can be divided into two subsidiary groups - male and female. In the four Japanese companies, a total of 20 Japanese were interviewed – 17 (85 percent) were male expatriates, and 3 (15 percent) were female expatriates (Appendix 2).

14 out of 17 **male expatriates** (85 percent) were recruited on a periodic basis directly from universities, and 3 out of 17 (15 percent) on a non-periodic basis from their mid-career. The parent companies get involved in various activities for male graduate recruitment. The pre-recruitment and selection activities include informal talks with the prospective recruits, and network building with university professors. The selection activities include a written examination and many intensive interviews. The post-selection activities include intensive background checks, and informal socialisation through drinking parties with the recruits before they join the company.

Three interviewees from Co.B and Co.C were mid-career recruits. They are recruited for their skills and knowledge. All male expatriate interviewees were recruited directly into the *kanri shoku* (managerial grade) of the parent company. For example, Co.A's male graduate recruits were placed immediately in grade 3 (Figure 4.1) after induction which is the initial "entry grade" for the managerial career track.

Figure 4.1 Employment structure of the parent company of Co.A



Source: From the interview data.

Male employees monopolise the managerial positions because they have an advantage of at least eight years service ahead of the female recruits who have the same qualification as the male recruits. A Japanese female interviewee explained,

> According to the employment structure of our company in Japan, the dividing line between the clerical and managerial status is placed between grade 4 and grade 3. All of us were placed in grade 5, and the male graduate recruits were placed in grade 3 when we joined the company (Figure 4.1). It takes at least 8 years for us to reach the top of the clerical grade. However, the management usually tells us that it is time for us to get married and quit the job when we reach the bar-crossing grade.

In terms of the selection of Japanese employees for overseas assignment, male expatriates dominate the overseas assignment. Co.A and Co.C had a considerable number of male expatriates – 35 out of 45 (78 percent) and 6 out of 7 (86 percent) respectively, while Co.B and Co.D employed male expatriates only during fieldwork period. Furthermore, the male expatriates occupy most of the managerial positions. According to the local personnel manager of Co.A, "Although Japanese expatriates only account for 2.25 percent of the total number of employees, they occupy 76 percent of the senior managerial positions."

The periodic recruitment of core male employees involves high costs. Japanese companies go through a painstaking process, involving all pre- and post-activities of recruitment and selection. This involves a high amount of investment in terms of time, effort, manpower, and cost. This helps to reduce selection errors because the male core employees are employed on a lifelong basis.

Female expatriates, on the other hand, experience different recruitment and selection conditions from their male counterparts. Although they are recruited into the parent company directly from universities, they go through separate selection exercises from their male counterparts. They have not been involved in any pre- and post-selection activities. A Japanese female interviewee of Co.A explained, "I have several male classmates applying for this company in the summer of our third year undergraduate study. I only attended one interview, and they [the male classmates] went through three interviews, and had socialised with the managers before they were formally employed."

Co.B and Co.D did not employ any female expatriates at the time of the fieldwork,[1] while Co.A and Co.C employed 10 out of 45 (22 percent) and 1 out of 7 (14 percent) respectively. These female expatriates of Co.A and Co.C, however, only occupy the supervisory and lower managerial positions. A female expatriate of Co.A said,

> All our male expatriates are given the titles of 'manager' even though they were only supervisors when they worked in Japan. However, none of us [female expatriates] are given title of 'manager' and only three of us are given the title of 'assistant manager'. The rest of the seven female expatriates occupy lower positions such as officer or secretary.

The recruitment and selection of female expatriates involves low to medium costs because they are selected by one interview.

In brief, two points can be made about recruitment and selection of Japanese expatriates in Japan and Hong Kong. Firstly, Japanese male expatriates are recruited and selected in similar ways as other Japanese male core workers in the parent company, i.e. by core practices. On the other hand, although the Japanese female interviewees are recruited by the core practice similar to those of male expatriates, they are selected by a peripheral method because they only attend one selection interview. Secondly, the male and female expatriates are recruited into two separate entry levels - managerial and clerical grades respectively, with different career prospects. Male employees are recruited to the managerial grade of both the parent company and overseas subsidiary, while the female employees are excluded from the said grade.

Table 4.1 Recruitment and selection for Japanese expatriate interviewees

	Co.A		Co.B		Co.C		Co.D	
	M	F	M	F	M	F	M	F
Recruitment								
Fresh graduate	✓	✓	✓		✓	✓	✓	
Mid-career			✓		✓			
Selection								
Pre-selection activities	✓		✓		✓		✓	
Examination	✓		✓		✓		✓	
Interview	✓	✓	✓		✓	✓	✓	
Post-selection activities	✓		✓		✓		✓	

Source: From the data analysis.
Note: M: Male, F: Female.

[1] According to the interviewees of Co.B and Co.D, both companies have the policy to employ female expatriates. The Japanese personnel manager of Co.B said, "Six female expatriates had worked in Co.B before, and the parent company will assign more to come in the near future."

4.2.2 Local Employees

A total of 80 local employees were interviewed. Apart from the two graduate trainees who were recruited and selected directly from the local universities, almost all local interviewees were recruited from the external labour market by various methods, such as newspaper advertisements, referrals, job agencies, professional associations and walk-in. Five subsidiary groups - professional staff, employees with low skills, graduate trainees, part-time staff, and consignment staff - can be identified from the initial data. In addition, female employees in these categories are treated less well than male employees, and so represent a further stratification of the employment systems.

The first employee group is that of **professional staff** such as accountants, personnel manager and computer specialists. They perform highly specialised and skilled jobs as a result of long-term professional training. 5 out of 20 (25 percent) in Co.B and 6 out of 20 (30 percent) in Co.C were recruited through professional associations and job agencies for professional qualifications. However, no local employees in Co.A and Co.D were recruited through these methods for professional qualifications. Both Co.B and Co.C select local professional staff through three selection interviews - by the personnel manager, direct superior of the candidate, and three Japanese executives.

Although recruiting through professional associations and job agencies does not incur as much cost as that of the recruitment and selection practice for male expatriates in Japan, the costs are higher than that for the local employees with low skills. Recruitment and selection of local professional staff thus involves medium costs.

The second subsidiary group consists of **employees with low skills.**[2] It includes all full-time staff from sales staff, supervisors and managers working for the departments of general affairs, food, apparel and household goods (see Appendix 2). The staff in the lower hierarchy, mainly sales staff, are recruited through both walk-ins and newspaper advertisements, and the rest of the group are recruited through newspaper advertisements. Almost all employees with low skills are selected by one interview. The recruitment and selection for this group involves low to medium costs.

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[2] The employees with low skills refer to all full-time employees whose skills can be learnt in a quick and easy manner compared to local professional staff. Therefore, they can acquire work skills in a relatively shorter time with less investment.

The third employee group is that of **graduate trainees**[3]. Co.A conducts annual graduate recruitment talks in all tertiary institutions. It has simplified recruitment and selection procedures for the local graduate trainees. The candidates are selected by (1) an aptitude test, (2) essay writing on topics such as "my way of life", and (3) three interviews conducted by the managing director, two Japanese senior managers, and the personnel manager. The cost of training in Hong Kong is only about a third of such training done in Japan, involving a medium to high expenditure.

The fourth group is that **part-time employees**. They are mainly recruited and selected by simple methods - walk-in and referrals - which involve low costs.

The fifth group consists of **consignment staff.**[4] The case companies do not recruit and select the staff because they work for the consignment company which conducts business inside the department store. Therefore, they work in the company, but do not work for the company.

Among all the local employees, the final group – **female employees** – has received gender-based treatment during recruitment and selection. More than two-thirds of the female managers interviewed recalled that they had been explicitly asked by the recruiters of the case companies to explain their marital and family conditions during their recruitment interviews. When asked why they need such information, many Japanese managers explained that the information helps them to make selection decisions. A Japanese manager of Co.B stated:

> A married male applicant with children and home mortgage can be considered as reliable and stable. Nevertheless, this family condition is considered a burden for a female applicant because for a woman, family obligation may mean a burden as she may not be able to work overtime when required, and she is more prone to leave her job to raise children.

Furthermore, many female interviewees mentioned that certain jobs and responsibilities are confined to the male employees because gender preference is indicated in the recruitment advertisement. When asked why gender is indicated in their recruitment advertisements, many Japanese interviewees said that it is natural for particular jobs to be carried out by a particular sex because of sex differences in physique and temperamental characteristics and abilities. For example, a Japanese food

[3] Both Co.B and Co.C have stopped the graduate training programme since 1992 and 1993 respectively after running it for 2 and 3 years as a result of high turnover rate among graduate trainees during and after the training period.

[4]Consignment staff were not selected for interviews as they are not employed by the case companies. However, the data shows that they are a separate employee group.

department manager of Co.A explained, "We need male staff who can perform dirty jobs such as lifting heavy food items, cutting fish and butchering because these dirty jobs can only be performed by men." Another Japanese manager of the apparel department of Co.B said, "Women have good fashion sense and know what the housewives - our major customers - want. Therefore, we tend to employ women as the buyers in the fashion department, especially for the underwear and baby products."

The local employee groups show evidence of having been stratified on the basis of gender. Although the gender-based recruitment and selection imposed on the local female employees may not have any cost implications, it implies that they are under-utilised as a whole.

In brief, two major observations can be made. Firstly, only Co.A conducts core recruitment and selection for the local graduate trainees similar to the male expatriate managers. Secondly, Co.B and Co.C recruit and select local professional staff, while Co.A and Co.D do not do so.

4.2.3 Comparing Recruitment and Selection Practices

The evidence of recruitment and selection practices shows that the Japanese companies possess the characteristics of structured employment systems with different number of employee groups (Table 4.2). Since local female employees are treated differently, they are classified as an additional group. Co.A has a total of seven groups of employee, as has Co.C; Co.B has six employee groups; and Co.D has five groups.

Table 4.2 Number of employee groups based on recruitment and selection

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Graduate trainee	✓			
Employee with low skill	✓	✓	✓	✓
Part-time staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Female employee	✓	✓	✓	✓
Number of groups	7	6	7	5

Source: From the analysis of the interview data.

The major differences in recruitment and selection practice among the four companies are that firstly, Co.B and Co.C recruit and select local professional staff. Secondly, Co.A recruits and selects local graduate trainees.

The cost implications for the recruitment and selection practices applied to the various subsidiary groups are summarised in Figure 4.2. Japanese male expatriates involve the highest costs, and part-time staff involve the lowest costs.

Figure 4.2 Costs of recruitment and selection for different employee groups

Low		**Medium**		**High**
Local part-time staff,	Local employees with low skill, **Japanese female expatriates**	Local professional staff	Local graduate trainee	Japanese male expatriates

4.3 PAY AND BENEFIT

Many factors - such as national culture, industrial culture and corporate culture - affect pay and benefit policy (Sparrow and Hiltrop, 1994). Therefore, it is not difficult to find that different companies apply different pay and benefit systems. In fact, various pay and benefit systems can be found within most companies, especially MNCs. The existing literature has distinguished two major employee groups – Japanese expatriates and local employees – within Japanese overseas subsidiaries. Japanese firms employ a core parent-company pay system for Japanese expatriates, and a peripheral host-country pay system for local employees (Dedoussis, 1994). The data not only reveals both these primary groups, but also identifies additional subsidiary groups. The pay and benefits received by each employee group are discussed below.

4.3.1 Japanese Expatriates

Pay for Japanese expatriates is composed of base pay, allowances and bonus. The base pay for the **male expatriates** is based on their employment status in the parent company. Two types of pay system – seniority and performance – are identified. Co.A and Co.D pay the male expatriates on the basis of their seniority. According to the Japanese manager of Co.D who had worked for the personnel department in Japan:

Within the salary structure of the parent company, each hierarchical position has several ranks and each rank consists of a fixed salary range. The base pay is determined by the number of years an employee has spent in a given rank. Employees move to higher ranks according to seniority and receive a fixed pay increase from each move. The biggest percentage of increase is when the employees become *kacho* (section chief).

On the other hand, the base pay of Co.B and Co.C's male expatriates is linked to performance. For example, in 1994, two Japanese top managers of Co.B were given a three-year pay contract called "service contract." The managing director received a monthly aggregate salary and housing allowance of HK$132,701, and the general manager received HK$113,145 in addition to holding a large amount of company shares during the period of 1994 to 1996. The managing director of Co.B said, "We are under a lot of pressure to meet the sales target set by the parent company. The chairman believes that our performance can be improved by monetary incentive. Our contracts would be renewed when we fulfil the performance target."

The second pay component is allowances which account for 20 to 30 percent of the monthly base pay, and is paid in Hong Kong dollars with an adjustment to the cost of living. All case companies pay their male expatriates with similar types of allowance and benefit, including family, rent, transport, children's education abroad, *tanshinfunin* (family allowance for leaving one's family in Japan) and overseas adjustment.

The third pay component is bonuses. All case companies pay a bi-annual bonus to the Japanese male expatriates in June and December. A Japanese manager of Co.C said, "The bonuses do not reflect performance because the parent company considers that our performance is mainly affected by our condition of being abroad."[5]

All **female expatriate** interviewees of Co.A and Co.C said that they are compensated differently from their male counterparts. Firstly, like the local full time employees, female expatriates' basic salary is based on a local market rate. Secondly, they only receive one bonus annually. Thirdly, they are not entitled to some overseas allowances. A Japanese female interviewee said, "Since the parent company does not assign married female employees overseas, all the female expatriates are single. Therefore, we are not eligible to receive family, *tanshinfunin* and children's education allowances." On the other hand, they receive monthly allowances of housing and

[5] On the other hand, the amount of bonus received by the Japanese staff in the parent company depends on two factors - overall company performance and profitability, and the level of employees' contribution to the profitability as assessed in the bi-annual rating evaluation.

transportation. Thus, female expatriates basically receive pay and bonus similar to local (peripheral) employees, supplemented by some core allowances.

The pay and benefit applied to Japanese male and female expatriates is summarised in Table 4.3.

Table 4.3 Pay and benefit for Japanese expatriate interviewees

	Co.A		Co.B		Co.C		Co.D	
	M	F	M	F	M	F	M	F
Base pay								
Seniority	✓						✓	
Performance			✓		✓			
Local market rate		✓				✓		
Allowances								
Tanshifunin	✓		✓		✓		✓	
Housing	✓	✓	✓		✓	✓	✓	
Transport	✓	✓	✓		✓	✓	✓	
Children's education	✓		✓		✓		✓	
Overseas allowance	✓	✓	✓		✓	✓	✓	
Bonus								
Twice a year	✓		✓		✓		✓	
Once a year		✓				✓		

Source: From the data analysis.
Note: M: Male, F: Female.

The pay and benefit practice for the Japanese male expatriates involves high costs because they are entitled to various allowances and bi-annual bonuses. Furthermore, Co.A and Co.D increase the male expatriates' basic pay with age. Since a majority of male expatriates have worked for the company for a long time - the average length of service for the Japanese expatriates is 20 to 24 years in Co.A and Co.D respectively (see Table 4.7), they cost the companies large amount of seniority-based wages. The performance-based pay for the male expatriates of Co.B and Co.C also involves high costs. Conversely, Japanese female expatriates are compensated mainly by a peripheral pay practice, supplemented by some core benefits. They receive less pay and benefit than their male counterparts, although they receive more pay and benefit than their local counterparts since they receive housing and transport allowances. Female expatriates' pay and benefit thus involves medium to high costs.

4.3.2 Local Employees

Among the local employees, there are four subsidiary groups - professional staff, employees with low skills, part-time staff, and consignment staff. In addition, female employees in these categories are treated less well than male employees, and so represent a further stratification of the employment systems.

All full-time employees are paid with a fixed monthly income which is composed of three components - basic salary, bonus and fringe benefits. The first group consists of **professional staff** in Co.B and Co.C. They receive a higher base pay than the other full-time employees because of their skills. According to a local personnel manager of Co.B, "We compensate our professional staff with a salary of 10 percent higher than the going market rate, and a grade allowance of 20 percent higher than other positions of the same grade." When asked why they pay professional staff with a favourable package, a Japanese manager of Co.B attributed it to these two factors:

> Firstly, the professionals handle highly confidential and sensitive information which is crucial to the company's success. We offer professional staff with a better remuneration package to prevent them from leaving the company for a better pay elsewhere, lest the company's information would be leaked to its competitors. The second factor is related to the shortage of professional staff in the local labour market as a result of brain drain. The basic salary of professionals has been pushed up.

The local personnel manager of Co.C said their professional staff also receive a pay package of 15 percent higher than other full-time local employees. Since the data of actual average pay is confidential, the analysis is based on companies' stated pay policy. As a whole, the pay and benefits for professional staff involves medium costs.

Conversely, both Co.A and Co.D do not have a separate pay and benefit policy for local staff involved in professional duties, such as accounting and HRM functions. The Japanese personnel manager of Co.D said,

> Our company tends to rely on staff with long retail experience. Although the personnel and accounting staff do not possess any professional qualifications, they work well in the company, especially those who have been working for our company for a long period of time. We have two staff in the personnel department who have worked with us since the store opened in the 1970s. The situation may change when we computerise our operations. We may need to recruit professional staff externally. However, I predict we will not recruit professional staff from outside in the near future because we do not plan to computerise within the next five years.

The Japanese managing director of Co.A stated, "If we need professional advice, we [the Japanese] rely on the Japanese professional staff in Hong Kong since our headquarters is located here." Co.A and Co.D do not differentiate pay and benefit amongst full-time local employees who are thus compensated by the same pay and benefit practice. Therefore, they can be grouped in a single group as full-time employees with low skills.

The second category consists of **employees with low skills**. They include full-time employees ranging from sales staff to managers. A point is made regarding the graduate trainees in this group. The graduate trainees, who are identified as a separate group in recruitment and selection, are not categorised as a separate group here because they receive similar treatment as other local employees with low skills as a whole. The base pay for this group is mainly determined by the going market rate. Generally speaking, Co.A tends to pay a below-market rate base pay. An example is shown in Table 4.4. Co.A paid HK$4,500 and HK$4,750 as the basic salaries for the lowest grade sales and cashier employees respectively in 1993, while the market rate was around HK$4,700 and HK$4,900. Co.B and Co.C offered a basic wage only slightly above the industry average. Co.D provided the highest basic salary because it needs to employ sales staff with foreign language ability, as it is a high class department store located in the downtown tourist area.

Table 4.4 Basic salary excluding allowance for local sales and cashier staff
(for the lowest grade in 1993* in HK$)

Staff	Co.A	Co.B	Co.C	Co.D
Sales	4,500	4,700	4,850	5,400
Cashier	4,750	4,800	5,000	5,400

Source: From the analysis of the internal documents of Co.A, Co.B, Co.C and Co.D.
Note: *Due to the sensitive issue of salary, the researcher could only read the internal payroll documents of the four companies up to 1993.

The full-time employees with low skills receive a bonus once a year, and various fringe benefits. All case companies have similar fringe benefits which include medical, pension, purchase discount, staff canteen, loan for emergencies, annual party, sports day and so on. Almost all local interviewees said that the amount of benefit is abundant, especially to those employed at a lower level, as they receive additional allowances such as transport and overtime.

When asked why the company provides many fringe benefits but a below market-rate basic wage, a Japanese personnel manager of Co.A explained, "We think that good benefits can retain employees to stay." A local personnel manager of Co.C said, "The business performance of retail industry is susceptible to economic downturn. During economic hard times, we can cut the amount of bonus and certain benefits which are less noticeable than cutting basic pay." In other words, the provision of bonus and fringe benefits to local employees is to maximise flexibility and minimise costs. From the above evidence, disregarding the hierarchical level, local full-time employees with low skills as a group is compensated by a pay and benefit practice similar to that of peripheral employees in Japan, involving low to medium costs.

The third category is that of **part-time staff** who are mainly employed on the sales floor. Co.B and Co.C compensate them with occasional bonuses and fringe benefits. The local personnel manager of Co.B said,

> Generally speaking, part-time employees do not usually receive any bonuses or benefits. However, in order to make them work harder, we pay bonus on an irregular basis. Furthermore, they have certain fringe benefits such as annual party, sports day and free lunch when they work for eight hours in a day.

The pay and benefit practice for part-time staff involves low costs because they only receive a base pay on an hourly basis with minimal benefit.

The fourth category consists of **consignment staff**. Since the case companies do not employ these staff directly, they do not need to spend any costs in pay and benefit for this employee group.

Among the local employees, **female employees** as a group receive gender-based treatment in the pay practice. 23 (just over half) local female interviewees said that their salary is lower than their male counterparts of the same rank and position. A female supervisor of Co.C added that middle-aged female employees are more susceptible to salary cuts:

> I used to work for Co.4 (one of the eleven companies listed in Appendix 1) for more than 10 years before it was closed in 1995. The company had made more than 250 local staff redundant. They were mainly female staff in their mid thirties and forties. We could not find any new jobs for more than 6 months. Before I was made redundant, my monthly basic salary was more than HK$10,000. When I looked for another job, many employers told me that I had to ask for a lower salary if I wanted to get a job. It is because the employers prefer to employ younger staff who ask for lower wages of about HK$5,000. Therefore, I voluntarily cut my salary to HK$8,000 when I applied for a position with my present company.

All the above local employee groups show evidence of having been stratified on the basis of gender because the female workers tend to receive lower remuneration than their male counterparts.

Table 4.5 summarises the pay and benefit practices for various employee groups among the local staff described above.

Table 4.5 Pay and benefit for local interviewees

	Co.A			Co.B			Co.C			Co.D		
	P	EL	PT	P	EL	PT	P	EL	PT	P	EL	PT
Base pay												
Skill				✓			✓					
Market rate		✓			✓			✓			✓	
Hourly			✓			✓			✓			✓
Grade Allowances				✓			✓					
Bonus (year-end)		✓		✓	✓	✓*	✓	✓	✓*		✓	
Benefits		✓		✓	✓	✓*	✓	✓	✓*		✓	

Source: From the data analysis.
Note: P: Professional staff, EL: Employees with low skills, PT: Part-timers.
✓*: on an irregular basis.

Several observations can be made in relation to Table 4.5. Firstly, all local employees are paid by peripheral practices. Secondly, local professional staff in Co.B and Co.C receive higher pay packages than other local employees. Thirdly, the basis on which full-time and part-time employees are compensated differs from each other. Co.B and Co.C provide part-timers with bonus and certain benefits on an irregular basis as an incentive. Fourthly, all the four companies show sign of casualising local employees with low skills by increasing part-time employment to minimise costs.

4.2.3 Comparing Pay and Benefit Practices

On the evidence of the pay and benefit practice, the Japanese companies possess the characteristics of structured employment systems with a number of employee groups (Table 4.6). Co.C has seven groups; Co.B has six groups, as has Co.A; and Co.D has five groups.

Table 4.6 Number of employee groups based on the analysis of pay and benefit

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Employee with low skill	✓	✓	✓	✓
Part-time sales staff	✓	✓	✓	✓
Female staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Number of groups	6	6	7	5

Source: From the analysis of the interview data.

Two distinct pay and benefit features can be identified among the four Japanese companies. Firstly, Co.A and Co.D compensate their female expatriates with peripheral pay and benefit practices. Secondly, Co.B and Co.C provide a higher pay package to local professional staff than other local employees.

Cost implications for different pay and benefit practices applied to various employee groups are summarised in Figure 4.3. Japanese male expatriates involve the highest costs, and local part-time staff the lowest costs. Unlike recruitment and selection, however, Japanese female expatriates involve a slightly higher costs in benefits.

Figure 4.3 Costs of pay and benefit for different employee groups

Low		Medium		**High**
Local part-time staff	Local employees with low skills	Local professional staff	Japanese female expatriates	Japanese male expatriates

4.4 TRAINING AND DEVELOPMENT

The notion of an effective employee differs according to cultures, creating a different approach to the way managers are made and the process by which knowledge is transmitted (Lawrence, 1993). Japanese companies provide generalist training for male core employees, aiming at upgrading their technical skills and morale (Inohara, 1990). However, they do not transfer generalist training overseas, and only provide skills training for local employees (Dedoussis, 1994). Japanese firms therefore apply different training and development practices to Japanese expatriates and local employees. Moreover, the data shows that training and development differs among subsidiary groups within the primary employee groups of Japanese expatriates and local employees.

4.4.1 Japanese Expatriates

Almost all Japanese male interviewees said that the Japanese training and development approach varies between male and female employees. They explained that the male core employees are employed in the managerial grades, and are expected to work lifelong for the company. The female employees are employed in the clerical grades and are expected to work on a short-term basis. Japanese expatriates can be divided into two subsidiary groups - male and female.

Japanese male expatriates described their training and development as more or less similar to each other. Co.B's training and development method is explained below. In the parent company, graduate recruits receive a three-month training programme, followed by continuous on-the-job and off-the-job training throughout their career in different departments of head office or branch stores. The training and development is related to a career path which follows a *shokuno shikaku* (job-qualification grading) system as shown in Figure 4.4.

Figure 4.4 *Shokuno shikaku* (job-qualification grading) system of Co.B's parent company

Head office level	Store level
Sanji	*Bucho*
Fuku-sanji	*Kacho* (management positions upward)
Shuji	*Kakaricho*
Fuku-shuji	*Shunin*
Shain Class 3	
Shain Class 2	
Shain Class 1	

Source: Summarised from the analysis of the interview data and training manual (internal document).

Note: This figure is more or less similar to Figure 4.1 which describes Co.A's employment structure from Grade 3 upward.

First, all fresh graduate recruits attend a six-month induction training. All male recruits are initially placed in Class 1, and employed on the sales floor. Throughout their lifelong career, they have to attend on-the-job training and many up-grading examinations. Firstly, they have to sit for a up-grading examination five months after their entry to the company. A pass in this examination raises their grade to class 3 by the autumn of the second year.

Once the male employees reach *shuji,* they can apply for a two-part candidacy interview examination on management, business, understanding of business policies and application of these policies to business practices. If they succeed, they would be placed on a one-year candidacy for the grade of *fuku-sanji.* During this year, they have to submit a monthly essay on a given topic and their progress would be closely monitored by a panel of senior managers. At the satisfactory conclusion of this process, they would be upgraded to *fuku-sanji* - the first management grade.

Furthermore, overseas assignment is considered as part of the training and development for Japanese male employees. Before the rapid overseas expansion in the 1980s, Japanese companies did not assign male staff overseas below the *fuku-sanji* grade. Nevertheless, the characteristics of training and development relating to overseas assignments have changed. Since the 1990s, the head offices of Co.A, Co.B and Co.C send considerably younger male expatriates to Hong Kong (as shown in Table 4.7). Compared with the average of 15 years in the 1980s, some male expatriates had only served the company for four to six years when they came to Hong Kong.

Table 4.7 Length of service by Japanese male expatriates
(in Japan and other countries before coming to Hong Kong)

Years*	Co.A	Co.B	Co.C	Co.D
Longest	35**	27	25	32
Shortest	4	5	6	15
Average	19.5	16	15.5	23.5

Source: From the analysis of the interview data.
Note: *The information is provided by the Japanese personnel managers of each company which shows the longest serving and shortest serving staff before they were assigned to work in Hong Kong.
**Excluding the chairman in Hong Kong.

According to the Japanese personnel manager of Co.A, "Since the current batch of our Japanese expatriate managers have a relatively short working experience, overseas assignment becomes an important part of their lifelong training and development." In other words, overseas assignment becomes an important tool for the parent company's personnel rotation.

Training and development for Japanese male employees involves a lengthy process which requires a great amount of investment in time, effort, manpower and cost. Each employee is socialised and trained as a "company-man" under the intensive guidance of superiors, mentors and personnel department. Furthermore, since core employees must rotate regularly between different departments and branches of various geographical locations, this involves high personnel costs from both the company and individual employee. The personnel department has to maintain a constant review and evaluation, and the individual employee has to adjust and adapt to new workplaces, job duties, geographic locations and environments continually. The costs involved in the training and development of the male expatriates are high.

The training of **female expatriates** differs from that for the male expatriates. They only receive a limited amount of training. All Japanese female interviewees said that when they joined the company, they received a shorter induction training, conducted separately from the male recruits. A female expatriate of Co.A recalled, "In the induction, I learnt company etiquette and make-up technique." The company provides them with on-the-job skill-specific training mainly through their female seniors in Japan. During their overseas assignment, they also receive specific skill training for performing their jobs, e.g. translation and customer services, in order to support Japanese male managers.

When asked what the company expects to make use of the female expatriates' overseas experience, the Japanese male manager of Co.A stated, "The female expatriates are not sent to Hong Kong as part of their long-term development, because the parent company does not expect them to work on a long-term basis. When they are repatriated back to Japan, their overseas experience is not counted in their career development." The female expatriates are trained by a practice similar to those for the local (peripheral) employees, involving low to medium costs.

In brief, two observations can be made with regard to training and development for the Japanese expatriates which is summarised in Table 4.8. Firstly, the male employees receive an induction training which lasts longer than that of their female counterparts. Secondly, the female employees only receive skills training, but do not receive any generalist training like their male counterparts. That is, Japanese male expatriates are trained and developed by core practices similar to those of Japanese core workers in the parent company, while the female expatriates receive training similar to local (peripheral) employees without any opportunities for development.

Table 4.8 Training and development for Japanese expatriate interviewees

	Co.A M	Co.A F	Co.B M	Co.B F	Co.C M	Co.C F	Co.D M	Co.D F
Training								
Induction (3-6 months)	✓		✓		✓		✓	
Induction (half-1 month)		✓				✓		
Generalist	✓		✓		✓		✓	
Skills	✓	✓	✓		✓	✓	✓	
Development								
Job rotation	✓		✓		✓		✓	
Overseas assignment	✓		✓		✓		✓	

Source: From the data analysis.
Note: M: Male, F: Female.

4.4.2 Local Employees

Apart from the two graduate trainee interviewees of Co.A, the Japanese firms tend to provide only skill-based training for local employees. According to the types and amount of training, five subsidiary groups – professional staff, employees with low skills, graduate trainees, part-time staff, and consignment staff – can be identified among the local workforce. In addition, female employees in these categories are treated less well than male employees, and so represent a further stratification of the employment systems.

The first category consists of **professional staff** in Co.B and Co.C. They receive both on-the-job and off-the-job training. The sources of on-the-job training are their immediate superior and from the information disseminated during morning meetings. They are regularly exposed to off-the-job skill training conducted by the training departments of Hong Kong and the head office in Japan. The training opportunity in Japan is only available to the professional staff. As a result of the introduction of the electronic point of sales (EPOS) system, both companies send their local professional staff to Japan to learn the operation of the system which is tailor-made for the company worldwide. According to the Japanese general manager of Co.C who used to be a personnel manager in Japan:

A total of 19 local staff – 7 from the electronic data processing department, 5 from the account and finance department, 3 from the inventory department and 4 from the personnel department – have already been sent to Japan to study the technical aspects of the EPOS system in Japan since 1991. The training course in Japan lasts for three months. In return, the trainees have to sign a one-year contract to work for the company after the training.

Six of the 40 local interviewees from both Co.B and Co.C were in professional grades in accounting, personnel and EDP departments. All of them said that they had been to Japan for training several times before. When asked how they feel about the training in Japan, the accounting manager of Co.C said:

> I spent three months in Japan visiting the head office and various branch stores. I was attached to the EDP department of the head office and learnt directly from the manager who is in charge of the whole department. I am very proud that I can learn from him because he is one of the most senior and respected men in the company's EDP department. The training not only provides technical training of how to run the company-specific EDP system, but also the organisational aspect as to why the system was designed in a particular way. After training in Japan, I can better understand why the system and my Japanese boss work in a particular way. Apart from the training, we were also treated to many sightseeing tours during weekend. Therefore, I think it is a privilege to go to Japan because it is very expensive and is not available to other staff.

Taking into account the duration and frequency of the training visits to Japan, the local professional staff's training involves medium costs.

The second group consists of **employees with low skills**. They include all local employees whose skills can be learnt quickly. All companies provide both on-the-job and off-the-job skill training for this group through the staff's immediate superiors, morning meetings and the local training department.

Apart from the skill training, Co.A provides generalist training[6] for all local employees similar to that provided for the Japanese male employees in Japan. Three types of generalist training - spiritual training, job rotation and graduate training - are provided. When asked why the company provides spiritual training to local employees, the managing director of Co.A said,

> During our initial operation in Hong Kong, we did not implement the generalist training. However, after we had moved our head office to Hong Kong, the chairman suggested the generalist training because he believes that local employees should acquire the company's values which motivate them to acquire skills relevant to their work on their own initiative.

[6] Generalist training is defined as training which is not based on specific skills but general knowledge and skills required to perform different duties within the company as a whole.

Co.A set up an education centre in 1992 to teach company values based on the chairman's religious philosophy.[7] All the local employees have to attend spiritual training courses conducted by the education centre at least once a year. The training cost in operating the centre is subsidised by the *seicho-no-ie* association in Japan as it uses its religious philosophy in the training. However, the spiritual training provided by Co.A is largely attributed to the religious chairman, therefore, spiritual training is not a typical type of training provided by Japanese retail MNCs as a whole.

Co.A rotates local managers to work in different departments once a year. According to the Japanese and local intimates of Co.A, rather than developing local employees with generalist knowledge of the company, they use job rotation to get rid of undesirable and unwanted local staff. The Japanese intimate of Co.A said,

> We are worried about the results of annual job rotation. We understand that if we are rotated to a department we do not want to work for, the management actually is not very happy with our performance. However, unlike the Hong Kong staff, we Japanese have to tolerate the hardship associated with the transfer.

A local intimate of Co.A reiterated,

> Every year, we [Japanese and local staff above the senior supervisor grade] have to go through a ritual of job rotation. All local employees are aware of the management's implication in their action of job rotation. Before the job rotation exercise, we are always asked to indicate what sort of jobs or departments we would like to work for. If we are not rotated to the indicated departments or jobs repeatedly, we know that we had better find another job somewhere else.

As a whole, the training provided for local employees with low skills involves low to medium costs. Although Co.A provides spiritual training to employees with low skills, it receives training subsidies, thus does not spend more costs than other companies.

The third category consists of Co.A's **graduate trainees**. They are categorised as a separate group because they receive special treatment in training and development similar to the analysis in recruitment and selection. Since 1990, Co.A has been recruiting 10 graduate trainees annually. The training offered to the local graduate

[7] The training is based on the religious philosophy of *seicho-no-ie* (House of Growth). The philosophy emphasizes that human beings, as sons of God, have unlimited power. With unlimited power, employees can improve themselves continuously as long as they are in the right direction. The training is to direct employees' values and attitudes to the right track for learning so that the company can acquire competitive edges over other companies.

trainees has been considerably simplified in Hong Kong, compared to that of the parent company. The local training manager of Co.A stated,

> Because our company does not have a large training budget, we have to abandon some Japanese training practices such as *gasshuku* (residential stay) and follow-up training sessions. Furthermore, we have shortened the induction and *jisshuu* (practical training) period. The training in Hong Kong concentrates on lectures. Activities such as group discussion, group work, and education games have been cancelled.

The costs involved in graduate training are medium to high. Although Co.A does not spend as much as those spent on the core employees in the parent company, graduate training involves higher costs than that of skills training.

The fourth group consists of **part-time staff** who only receive a short induction and on-the-job training from their immediate superiors. Since they are employed for a short-term basis and for performing simple tasks which do not need many complicated skills and knowledge, they usually learn to perform these tasks by watching their supervisors without attending any off-the-job training. The training for part-time employees involves low costs.

The fifth category is that of **consignment staff**. All companies invite consignment staff to attend the induction training provided to part-time staff. Managers of the four companies said that they encourage consignment staff to attend the training because the consignment staff conduct sales services directly to the company's customers. Thus, somehow they represent the department store, and can affect the company's image.

Finally, **female employees** as a group receive gender-based treatment, especially the middle-aged women employed in the lower positions. 8 out of 12 local female sales interviewees working on the sales floor had negative feelings of training. They mentioned that the training courses provided by the companies are impractical, and hinder their work during office hours. The local male household department manager of Co.A, Mr. Fu, attributed their negative feelings to training to the general lack of incentive among the middle-aged female employees at sales level. He cited an example of his female subordinate:

> I have a capable sales supervisor who has worked for the company since 1984 and the retail industry for the past 19 years. When I joined the company in 1990, she taught me many things about the company. Three years ago [in 1993], I suggested she take up training in a merchandising job because she was already in the top grade on the sales floor for five to six years. I told her that only after taking up the training in merchandising can she be promoted beyond the

supervisory grade to the managerial grade. We agreed on the training by seconding her to the merchandising department for three months. However, after one month, she asked to come back to the sales floor. She told me the reasons: "I acquired the knowledge of sales through experience. I am very happy to work in sales because this is my expert area. I am proud of my sales jobs because I think I have more knowledge in sales than the new graduate recruits although I only studied up to Form Three (the minimum compulsory education level). However, after being transferred to the merchandising department, I feel that I am a stupid person because I find it difficult to learn new things such as doing forecasting which involves all the calculation work. I am told to take up some crash courses on maths in adult learning school. However, I cannot do this because I have to go back to look after my children . . . "

As a result, Mr. Fu had to report the case to his Japanese superior: "My Japanese manager ridiculed me for trusting female subordinates for career development, and told me not to waste my efforts on women in the future. I think this incident reinforces the Japanese belief that women are less likely to be trained and developed because of the assumed high priority they place on their home lives." The fact that middle-aged female sales employees are more reluctant to have training than their male counterparts reinforces the Japanese managers' perception of women as being incapable of undertaking training.

The types of training available for the local employees are summarised in Table 4.9.

Table 4.9 Types of training for local employees

	Co.A			Co.B			Co.C			Co.D		
	P	EL	PT/C	P	EL	PT/C	P	EL	PT/C	P	EL	PT/C
Induction (1-3 days)		✓		✓	✓		✓	✓			✓	
Induction (1-2 hours)			✓			✓			✓			✓
On-the-job												
Supervisors		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Morning meetings		✓		✓	✓		✓	✓			✓	
Job rotation*		✓										
Off-the-job												
Skills		✓		✓	✓		✓	✓			✓	
Training in Japan				✓			✓					
Spiritual training*		✓										
Graduate training*		✓										

Source: From the analysis of the interview data.
Note: P: Professional staff, EL: Employees with low skills, PT: Part-time staff, C: Consignment staff. *Generalist training.

Several observations can be made in relation to Table 4.9. Firstly, compared to the employees with low skills, part-time and consignment staff receive less opportunities for training in terms of shorter period of induction, and no off-the-job training. Secondly, only Co.B and Co.C conduct training for the local professional staff who are exclusively entitled to train in Japan. Thirdly, only Co.A conducts generalist training - job rotation, spiritual training and graduate training. However, a point should be noted here that spiritual training is not a typical Japanese training approach because it is largely related to the religious chairman who wants to spread his religion to the local employees. Fourthly, as a whole, no local employees receive long-term development like those available to the Japanese male expatriates for succession to top management positions in the parent company.

4.4.3 Comparing Training and Development Practices

The evidence of the training and development practice shows that all Japanese companies have the characteristics of structured employment systems (Table 4.10). Co.A has seven groups, as has Co.C; Co.B has six groups; and Co.D has five groups.

Table 4.10 Number of employee groups based on training and development

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Employee with low skills	✓	✓	✓	✓
Graduate trainee	✓			
Part-time staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Female staff	✓	✓	✓	✓
Total number of groups	7	6	7	5

Source: From the analysis of the interview data.

Three major differences in training and development can be identified among the Japanese companies. Firstly, all companies provide training to consignment staff. Secondly, Co.B and Co.C train professional staff more intensively than other local staff.

Thirdly, Co.A conducts generalist training such as job rotation, spiritual training and graduate training. Fourthly, local part-time staff are provided with the simplest training.

The cost implications for the training and development practice applied to the various subsidiary employee groups are summarised in Figure 4.5. Japanese male expatriates involve the highest costs, and both local part-time employees and consignment staff the lowest costs.

Figure 4.5 Costs of training and development for different employee groups

Low		**Medium**		**High**
Local part-time staff, Consignment staff	Local employees with low skills, **Japanese female expatriates**	Local professional staff	Local graduate trainees	Japanese male expatriates

4.5 CONCLUDING REMARKS

This chapter addresses the types and characteristics of the employment systems of Japanese MNCs in the retail sector by testing three HRM variables. Empirical evidence reveals that two subsidiary employee groups exist among the Japanese expatriates - male and female. All Japanese male expatriate managers are recruited and selected into the internal labour market by the parent company. They receive base pay, bi-annual bonuses and allowances based on their employment status in the parent company. They are trained and developed on a long-term basis. Since they are managed by the core HRM practices, it implies that the Japanese male expatriates are employed in the internal labour market system.

The Japanese female expatriates are also recruited by the parent company. However, they are employed in a clerical career track in the parent company and are recruited on a short-term basis. Although their employment status remains in the parent company when they work overseas, they are paid and trained by peripheral practices. In other words, the female expatriates are employed in a "diluted" segment of the internal labour market system.

There is evidence that different subsidiary groups exist among the local employees. The local professional staff are recruited from the external labour market through professional associations and agencies. They receive training in Japan, and a basic salary and a bonus which are higher than the other full-time employees. They are employed in an occupational labour market system (Hendry, 1995).

The local employees with low skills are recruited from the external labour market mainly by newspapers. Their basic pay is in the main determined by the market rate. They receive short-term skill training on an ad hoc basis. They are employed in the industrial/clerical labour market system.

The graduate trainees are recruited, selected and trained by medium to high cost core practices. However, they are paid by a peripheral practice similar to that of the full-time local employees with low skills. They will be further examined in the next chapter to see how they are managed by organisational practices.

The part-time staff are recruited by either walk-in or referrals, receive little training opportunities, and are paid on an hourly basis with minimal benefit entitlement. They are managed by the lowest-cost HRM practices. Evidence shows that the Japanese companies are increasing their use of part-time staff.

The consignment staff are employed outside the company's control. They are recruited, selected and paid by the consignment company. However, all companies provide training to this group of staff. The case companies practically do not spend much costs on this group.

The local female employees have experienced some gender-related treatment in the recruitment, selection, pay and training. They are generally under-utilised especially because Japanese managers are more prone to sexual discrimination.

From the above analysis, the case companies employed Japanese male employees in the internal labour market (ILM) system, female expatriates in the "diluted" ILM system, local professional staff in the occupational labour market (OLM) system, local female staff in the "diluted" OLM system, local employees with low skills in the industrial/clerical labour market (ICLM) system, part-time and consignment employees in the external labour market (ELM) system.

It basically confirms the first proposition that Japanese MNCs manage Japanese expatriates by an internal labour market (ILM) system; and manage local employees by either an occupational labour market (OLM) system, industrial/clerical labour market (ICLM) system, or an external labour market (ELM) system. Furthermore, the cost implications of HRM practices shown in Figures 4.2, 4.3 and 4.5 confirm the second proposition that high-cost core employment practices are applied to the employees of

ILM, high-cost peripheral employment practices are applied to the employees of OLM, selected low-cost core and peripheral practices are applied to the employees of ICLM, and low-cost employment peripheral employment practices are applied to the employees of ELM. In conclusion, this chapter confirms that structured employment systems exist in the four Japanese case companies.

Furthermore, four distinct structured employment features can be identified from the structured employment systems from the empirical evidence. Firstly, the employment systems of Co.A and Co.D tend to show more obvious polarisation between Japanese expatriates and local employees. Secondly, Co.B and Co.C tend to show more obvious polarisation between local professional staff and local employees with low skills. The local professionals are managed by HRM practices involving higher costs than those for the other local employees. Thirdly, local employees with low skills are casualised as a result of the identification of two employee groups – part-time and consignment staff. Fourthly, female employees as a whole are under-utilised in Japanese companies.

In the next chapter, the types and characteristics of employment system will be further examined and analysed from the perspective of organisational features in terms of job assignments, communication and decision-making.

CHAPTER FIVE

STRUCTURED EMPLOYMENT SYSTEMS:

ORGANISATIONAL FEATURES

5.1 INTRODUCTION

Turnıng from testing the HRM variables, this chapter continues to examine the types and characteristics of employment systems by testing three organisational variables - job assignments, communication and decision-making. These organisational features are selected because they are important in the context of Japanese international management.

Firstly, the objective in assigning cross-functional jobs to male core employees is to make them work in different parts of organisations under the requirement of the organisational environment. This quality of functional flexibility is particularly important for the Japanese working in the environment of overseas operations. This core practice is transferred to overseas subsidiaries for cost-minimisation, as some local employees reported that they were also assigned to cross-functional jobs (Dedoussis, 1991).

Secondly, communication is an important tool for international management because Japanese consider information-sharing important for the business success. In order to monitor the activities of the transfer of competitive advantages from Japan to their overseas subsidiary, Japanese male expatriates have to perform international management duties: communication, coordination, integration and control overseas subsidiary on the parent company's behalf (Park, 1989; Bartlett and Yoshihara, 1988; Dirks, 1994; Dunning, 1986; Pucik, 1994; Abo, 1994). Apart from performing international management duties, Japanese male expatriates consider communication with the parent company important for their long-term career development.

On the other hand, communication for local employees is a problem. In the first place, they have difficulties in gaining access to information from the parent company since all senior managers are Japanese (Yoshino, 1975b). Even if they can gain access, they find it difficult to master the subtleties which require a detailed knowledge of policies within the parent company.

Thirdly, decision-making is an important tool for Japanese international management because, in the process of decision-making, Japanese expatriates share information with the parent company. Japanese employees have exclusive powers during the three stages of decision-making – idea generation, *nemawashi* (root-binding), and *ringi* (consensus) – for overseas subsidiary affairs. Local employees are excluded from making any decisions (Kono, 1984; Trevor and White, 1983).

Studying the above three organisational variables, therefore, reflects important international management issues in Japanese overseas companies. Section 5.2 discusses job assignments, followed by communication and decision-making in Sections 5.3 and 5.4 respectively. This chapter presents the data in the same way and order as Chapter Four, in order to augment the argument that structured employment systems exist in the four Japanese case companies. Section 5.5 summarises the general features of the structured employment systems.

5.2 JOB ASSIGNMENTS

Japanese and local employees have different concepts and attitudes to job assignment due to cultural differences. Japanese prefer to perform cross-functional tasks, while local employees prefer to perform specialised tasks. From the initial data analysis, Japanese expatriates can be divided into two subsidiary groups - male and female - according to the management's objective of assigning cross-functional jobs to them.

5.2.1 Japanese Expatriates

All 17 **Japanese male expatriates** said they had performed cross-functional responsibilities throughout their career. This is essential for the retail business which is subject to seasonal fluctuations. In order to maintain minimal operational costs, lean management is practised. Staff have to take their own initiative, and perform any tasks that may have been neglected by fellow employees during busy times. The Japanese manager of Co.C said,

> Whenever we Japanese see there are unfinished jobs on the sales floor due to insufficient manpower, we immediately work on them. We don't need anybody

> to ask us to do so. We [Japanese] think rather than waiting for other people, we perform the job immediately, especially when those jobs emerge suddenly on the sales floor. Only in this way can we improve the quality of customer services.

On several occasions when the researcher visited the Japanese department stores during the peak retail seasons, I observed Japanese male managers performing various tasks on the sales floor. For example, a Japanese manager of Co.D cleaned up when a sales girl spilled milk on the floor of the supermarket during peak hours. Co.B's managing director tidied up the trolleys which blocked the passageway when he showed me around the sales floor during the interview. When asked why they perform sales floor tasks, the Japanese manager of Co.D explained, "I do it because I would like to set a good example for the local staff. I would like to show the Hong Kong managers that I do not mind performing lower level tasks which are important to our customers."

The male expatriates have the ability, knowledge and skills to perform cross-functional jobs at various levels, especially when their Japanese superiors are absent. Their functional flexibility is built up by regular job rotation which applies to the male core employees from the managerial grade or above. An overseas assignment is a form of job rotation for the male workers. The Japanese manager of Co.B explained,

> We Japanese have to rotate regularly to different posts in different geographical locations. I have worked for the head office in Tokyo, and three branch stores in Fukuoka and Kyoto in Japan. Before I was assigned to work here [Hong Kong], I have worked in Singapore and Malaysia. This helps me to learn more about the company's operation in different parts of the world. It also makes me more flexible in adapting to different work environments and job assignments.

The costs for the Japanese male expatriates to perform cross-functional jobs are high because of the training and rotational costs involved. However, this practice has increased the functional flexibility of the company.

All **female expatriate** interviewees said they have to perform cross-functional tasks, namely, office ladies' jobs, i.e. odd jobs with little responsibilities such as serving tea, tidying up the office, and making photocopies. When Japanese male expatriates need any support in the office, it is the Japanese female workers' duties to support them. For instance, a female expatriate interviewee of Co.A said,

> When I was notified to come to work in Hong Kong, I thought I could get away with the "office-lady" jobs. During office hours, we have an office amah, a Chinese old lady who does the cleaning and tea room work. However, Japanese men like to be served personally. They are used to being in the office outside office hours, when the amah is off duty. Even when the amah is around, they can't communicate with her, Japanese male managers still come to us.

This personal support of male expatriates in the office extends to the sales floor. Many female expatriates act as personal interpreters for the male expatriates whose foreign language ability is poor. Therefore, female expatriates are assigned to cross-functional jobs to provide support to male expatriates, rather than developing generalist skill. Co.A employed 10 female expatriates at the time of the fieldwork. When asked why it assigns so many female expatriates to Hong Kong, the managing director of Co.A attributed it to these two reasons:

> Firstly, during our rapid store expansion period in the early 1990s, we ran short of male staff for overseas assignments. We have to assign female staff to provide support to our male expatriates as a stop-gap measure. They can supplement the Japanese male managers well in jobs which require native Japanese to perform, such as serving Japanese corporate customers in Hong Kong. Secondly, female employees are more willing to work overseas. They are also good at jobs requiring language skills such as translation.

Since the company pays them on a local salary scale, the cost of assigning cross-functional jobs to female expatriates is low to medium.

The job assignment practices for the Japanese male and female expatriates are summarised in Table 5.1. Japanese male expatriates are managed by a core job assignment practice[1] to develop their generalist company-specific knowledge for long-term career development. The Japanese female expatriates are managed by a peripheral job assignment practice[2] to support the male expatriates in Hong Kong based on their specialised skill and knowledge.

Table 5.1 Job assignment for Japanese male and female interviewees

	Co.A		Co.B		Co.C		Co.D	
	M	F	M	F	M	F	M	F
Cross-functional								
Any jobs	✓	✓	✓		✓	✓	✓	
Office-lady jobs		✓				✓		
Purposes								
Generalist training	✓		✓		✓		✓	
Supporting male expatriate		✓				✓		

Source: From the data analysis.
Note: M: Male, F: Female.

[1]The core job assignment practice refers to cross-functional jobs assigned to individual staff based on their generalist company-specific knowledge.
[2]The peripheral job assignment practice refers to jobs assigned to employees based on the employees' specialised knowledge and skills, or job descriptions.

5.2.2 Local Employees

The examination of local employees' job assignment focuses on their perception of whether the jobs assigned to them are cross-functional or specialised in nature. This perception depends on two criteria – whether they have job descriptions; and if they have, whether they are assigned jobs outside the job descriptions. Four subsidiary groups - employees with low skills, professional staff, part-time staff, and consignment staff - can be identified among the local employees. In addition, female employees in these categories are treated less well than male employees, and so represent a further stratification of the employment systems.

The perception of job assignments among the full-time employees with low skills except the part-time staff is summarised in Table 5.2.

Table 5.2 Local employees' perception of job assignments
(excluding part-time staff)

	Co.A	Co.B	Co.C	Co.D	Total
Cross-functional	18	13	11	18	60
Specialised	0	5	7	0	12
Total	18	18	18	18	72

Source: From the analysis of the interview data.

Two features are identified in Table 5.2. Firstly, over 80 percent of employees with low skills said they have to perform cross-functional job duties outside the job description. Secondly, all interviewees in Co.A and Co.D said they have to perform cross-functional duties. However, fewer number of interviewees in Co.B and in Co.C said they need to do so. Two types of staff can be identified among Co.B and Co.C's local employees - employees with low skills, and professional staff.

The first category consists of **employees with low skills**. They said they have broadly defined job descriptions which are in the main given on a verbal basis[3], and are subject to various interpretations. For example, the local manager of Co.D recalled, "I asked my Japanese boss to let me have a job description when I joined company. He told me that my duties are to assist him in every aspect. This is really vague."

Some interviewees said that broadly defined job descriptions have caused confusion as to what work they needed to do initially when they joined the company. They have to learn the company's norm about this after working in the company for

[3] The verbal job description is usually given during recruitment interview or on the first day of new work.

some period of time. For example, the local manager of Co.C's household department said,

> When I started to work here, I concentrated on my work in the furniture section for which I am employed, because the section is printed on my name card. However, my Japanese boss is not happy. When Christmas came, he told me to work on jobs in the toys and gift sections which needed help. Somehow, I learn from the company norm that I have to take up various tasks within the department on my own initiative.

There are several reasons leading to the transfer of this core job assignment practice to local employees. Firstly, among the four Japanese companies, Co.A implements the cross-functional job assignment practice most vigorously. The local female manager working at the supermarket of Co.A said, "I work on the sales floor every day during the daily peak hours from 5 to 8 o'clock in the evening." This practice is related to Co.A's policy of job rotation. The Japanese personnel manager said, "Job rotation and cross-functional job assignments help the company to allocate manpower in the most effective way."

Secondly, it is related to the Japanese lean management approach. Some local interviewees said they have to perform cross-functional tasks because the management does not want to recruit staff to fill up vacant positions. The local fast food section manager of Co.B said, "The supermarket manager resigned three months ago. I was told by my Japanese boss to take up his duties on top of my own. I feel that the company will not recruit another member of staff because it wants to save costs." The Japanese boss of the section manager explained, "According to our 'man-hour policy', we will not recruit another full-time staff member to fill any full-time position which became vacant. However, we will recruit a part-timer to assist the staff member who is assigned additional duties. This helps to minimise our labour costs, and increase our competitiveness."

The financial costs of practising core job assignments to the local staff with low skills are low because of the company's policy of cost-minimisation. All case companies tend to use this practice to increase the functional flexibility of local employees, especially during the period of economic downturn.

The second category is that of **professional staff**. A total of 12 local interviewees from Co.B and Co.C coming from administrative departments of accounting, personnel and EDP were professional staff. All of them said that they have detailed job descriptions (Table 5.2), and are given specialised job assignments according to their job descriptions. According to the Japanese managing directors of both Co.B and Co.C, the major reason for assigning specialised jobs to the local professional staff is related to the implementation of sales technology. The managing director of Co.C said,

> We have made a large amount of initial investment in the EPOS system. The success of the investment depends largely on the professional staff's contribution. They play an important role in helping us [Japanese managers] to perform international management functions through generating information and data from the EPOS system. Thus, they have to be highly motivated. Furthermore, since they know a lot of the company's secrets, and competitive edges through the system, we have to retain and motivate them to stay by various measures. In addition to giving them higher pay and benefits, we only assign them specialised jobs according to their job descriptions, because we know they do not like to do sales-floor jobs.

Co.B and Co.C make an efficient use of the local professional staff's skills and knowledge by applying a peripheral job assignment practice to the professional staff, involving low costs.

The third category consists of **part-time staff**. Almost all part-time staff interviewed said they have job descriptions which are clearly written with their job details, and they are assigned specialised jobs according to the job descriptions. Nevertheless, the reason for implementing peripheral job assignment practice to part-time staff is mainly attributed to the fact that they only work for short and irregular hours, which differs from those of the local professional staff. In order not to disturb the operation, all companies have to assign part-time staff with specialised tasks so that they can learn the required skills quickly. Furthermore, since all part-time staff work on the sales floor, the sales jobs are easier to describe, and thus they can have a clear job description. The cost of assigning specialised tasks to part-time staff is low because specialised job assignment practice helps the company to adjust to the staff's high labour turnover.

The fourth category consists of **consignment staff**. Although they are not directly employed by the case companies, consignment staff are sometimes asked informally to perform sales tasks by their sales staff friends of the case company and vice versa.

Among all local employees, **female employees** as a group have been assigned jobs based on gender. Many local female interviewees pointed out that Japanese tend to ask them to perform more cross-functional jobs than their male counterparts. The female sales promotion manager of Co.B said, "I have worked with the company for 10 years. During the busy seasons, Japanese managers always tell the female office staff to work on the sales floor. However, local male managers are often exempted from these chores." Thus, all the above local employee groups show evidence of having been stratified on the basis of gender.

In brief, several observations can be made in relation to the job assignment practice for local employees. Firstly, both professional and part time staff have been given detailed job descriptions, and are assigned to specialised job duties. Secondly, employees with low skills do not have clear-cut job descriptions, and are assigned to cross-functional jobs. Thirdly, female employees are more likely to be asked to perform cross-functional jobs on the sales floor during retail peak seasons.

5.2.3 Comparing Job Assignment Practices

The evidence of the job assignment practices shows that each company possesses a different number of employee groups (Table 5.3). Local female employees are treated differently, and are classified as an additional group. It implies that the Japanese companies possess the characteristics of structured employment systems. Co.C has seven employee groups; Co.B has six employee groups, as has Co.A; and Co.D has five groups.

Table 5.3 Number of employee groups based on the analysis of job assignment

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Employee with low skills	✓	✓	✓	✓
Part-time staff	✓	✓	✓	✓
Female staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Number of groups	6	6	7	5

Source: From the analysis of the interview data.

The first major difference in job assignment practice identified among the four companies is that Co.A and Co.C assign cross-functional jobs to female expatriates.

Secondly, only Co.B and Co.C provide job descriptions and assign specialised jobs to local professional staff for the implementation of the EPOS system.

Cost implications for the different job assignment practices applied to the various subsidiary employee groups are summarised in Figure 5.1 – Japanese male expatriates involving the highest costs, and local part-time staff the lowest costs.

Figure 5.1 The costs involved in job assignment for different employee groups

Low		**Medium**		**High**
Local professional staff, Local staff with low skills, Local part-time staff Consignment staff	Japanese female expatriates			Japanese male expatriates

5.3 COMMUNICATION

In the communication practice, Japanese expatriates and local employees show differences in the frequency of contact with the parent company, their perception of adequate access to information, and their roles played in international management functions. Among the expatriates, communication practices vary according to the purpose for communication with the parent company, and the roles played in international management functions. Based on the initial data analysis, two subsidiary groups - male and female - are identified.

5.3.1 Japanese Expatriates

Communication channels used by the Japanese interviewees, and the communication frequency with the parent company are shown in Table 5.4.

Table 5.4 Communications with parent company by Japanese interviewees
(Average number of contacts per employee)

Type of Contact	Co.A	Co.B	Co.C	Co.D
Telephone (daily average)	10	2	1	2
Fax (daily average)	8	4	3	3
Trip to parent company i.e. face to face (annual average)	100	2	3	2

Source: From the analysis of the interview data.

As Table 5.4 indicates, the Japanese expatriate interviewees of Co.A made considerably more frequent contacts with the parent company than other case companies. This is because its parent company is located in Hong Kong, thereby involving only local travel (the data was collected before the parent company moved to China in July 1996). Five Japanese interviewees of Co.A said they need to pay at least a visit per week to the parent company during office hours. Furthermore, some Japanese, especially the male managers, have to socialise with the Japanese working for the headquarters after office hours to exchange information. Japanese prefer face-to-face communication which makes the Japanese expatriates spend more time and effort travelling to the headquarters for face-to-face communication. Although the parent companies of Co.B, Co.C and Co.D are in Japan, their expatriate staff are in regular contact with the parent company, sending at least one long distance call and three faxes per day, as well as two trips to Japan per annum.

When asked why they have to make frequent visits to the parent company, the male and female expatriates attributed it to different reasons. More than 80 percent of the **male expatriate** interviewees cited the same reason, that they need to reduce serious deterioration of their personal relationship with the relevant members of the parent company, and to keep abreast of the organisational climate of the parent company. For example, the household department manager of Co.C who had just arrived in Hong Kong for his first overseas assignment said,

> My assignment in Hong Kong will only last three years. After this assignment, I have to go back to Japan. I have been trying to build up my *jinmyoku* (human network or connection) in Japan so as to climb up the career ladder. However, the Hong Kong assignment has disturbed my career plan in Japan because my absence in Japan will weaken my connection in the parent company. Somehow, I need to reduce the deterioration of my personal relationship with my boss and other people in Japan.

When asked whether they have sufficient access to information, more than 90 percent of Japanese male interviewees said that it is sufficient. The manager of Co.C said,

> We have many formal and informal communication channels to get information from Japan. We tend to rely more on informal channels through the Japanese visitors in Hong Kong, and our friends in the headquarters. We make regular calls and faxes with our friends in Japan. We also find many reasons to make as many business trips to Japan as we can.

Furthermore, all Japanese male expatriates interviewed said they need to perform international management functions – communication, coordination, integration and control – between the parent company and the Hong Kong operation. The managing director of Co.B said, "Through the Japanese expatriates, we can integrate the Hong Kong operation into the whole multinational operation." To facilitate these international management tasks, communication is a major tool, and this explains why they communicate with the parent company frequently.

Japanese male expatriates' communication practice involves high costs which can be attributed to two reasons. Firstly, for the implementation of international management functions of communication, coordination, integration and control, the parent company needs to send a large number of male expatriates to their subsidiaries - 45 in Co.A, 10 in Co.B, 8 in Co.C and 7 in Co.D. This costs the company an enormous amount of payroll expenditure. Secondly, the male expatriates' frequent personal contact with the parent company for the purpose of individual career development is also expensive. Long-distance calls and airfare mean large bills for the company. Even in Co.A, the expatriates' frequent visits to the headquarters in Hong Kong take up most of their time and money.

Female expatriates also make frequent contact with the headquarters. When asked the frequency of communication with headquarters in Japan, the female expatriate of Co.C said that she makes at least three to four contacts per day with Japan. The two female expatriates of Co.A also said, "Sometimes, we have to run around three to four times between different branches and the head office in Hong Kong, not to mention telephone calls." All of them attributed the frequent contact with the parent company to their duties in performing two *of the international management functions* - communication and coordination. The Japanese female interviewee of Co.A working for the buying department said,

> My roles and functions in Hong Kong are to support Japanese male managers to operate our business smoothly. Half of my daily activities are involved in liaising between Japanese suppliers and local buyers. Since almost all Japanese suppliers and Hong Kong buyers cannot communicate with each other through a common language, I have to act as a translator and interpreter for them. Furthermore, when problems occurs between Japanese suppliers and Hong Kong buyers due to cultural misunderstanding, I have to act as a mediator to resolve their differences.

However, female expatriates said that they do not make contact with the parent company for the purpose of their own career development. Firstly, after office hours, they make little contact with the parent company. Secondly, they cannot use official communication channels for their personal purposes. The female expatriate of Co.C said, "I cannot use the office fax and telephone to contact my friends in Japan. Furthermore, I am not entitled to any business trips to Japan." Communication for Japanese female expatriates therefore involves medium costs.

Since all Japanese expatriates have abundant communication channels to access information from the parent company, and perform international communication roles, they are managed by core communication practice similar to those of the core Japanese workers working in Japan. Nevertheless, the male and female expatriates are managed by communication practices which involve different reasons, purposes, and costs. In brief, two observations can be made relating to Japanese expatriates' communication practices. Firstly, Japanese male expatriates communicate to keep abreast of the parent company's organisational climate, and to maintain personal relationships with the parent company which are essential for their career. The female expatriates communicate to coordinate work between the headquarters and the overseas subsidiary. Secondly, male expatriates perform all international management roles as communicators, coordinators, integrators, and controllers. The female expatriates only perform two roles of communicators and coordinators.

5.3.2 Local Employees

The local employees are excluded from communicating with the parent company. Even though the parent company of Co.A was located in Hong Kong (at the time of fieldwork), its local interviewees stated that they have no communication with the parent company. Therefore, the examination of communication practice for the local employees focuses on their perception of access to information. The initial data analysis divides local employees into four subsidiary groups - employees with low skills, professional staff, part-time staff, and consignment staff.

When asked whether they feel information is adequately communicated from the management to the employees and vice versa, over 70 percent of the local interviewees said that it is inadequate. Their perceptions vary according to different skills/professions and employment status (Table 5.5).

Table 5.5 Local interviewees' perception of access to information

	Co.A			Co.B			Co.C			Co.D			Total
	EL	P	PT	EL	P	PT	EL	P	PT	EL	P	PT	
Adequate	0	0	2	2	4	2	3	4	2	2	0	2	23
Inadequate	18			12			11			16			57
Total			20			20			20			20	80

Source: From the analysis of the interview data.
Note: EL: Employees with low skills, P: Professional staff, PT: Part-time staff.

The first category consists of **employees with low skills**. 57 out of 64 (nearly 90 percent) local employees with low skills, especially those at the managerial grades, said that they do not receive adequate information as a result of insufficient communication channels (Table 5.5). They traced it to several factors. Firstly, Japanese expatriates tend to monopolise strategic information communicated from the parent company. The manager of Co.D's fashion department explained,

> I try to plan for the sales activities of next year, and want to hold a fashion show inside the department store since several suppliers showed their support. I need to know next year's business plan for the fashion department. I have asked my Japanese boss to show me the plan, but he does not say anything. I know the plan must have been decided by this time of the year [September]. Since I cannot reply to my suppliers, I will lose the chance of getting support from them. Instead, I think they will support other department stores. The monopolisation of information coming from the parent company by the Japanese often makes the company lose its business opportunities.

The second factor is that Japanese expatriates tend to filter top-down information, especially the strategic decisions for the Hong Kong operation, when it is released to local staff. Over 80 percent of the managers and supervisors in this category said that only the non-strategic information is communicated to them. The accounting manager of Co.A said,

> I feel that I act more like an accounting clerk than a manager when I am only given a blank accounting form, and my Japanese boss asks me to fill in the blank. Even so, I still need a lot of information about the headquarters' policy. However, when I ask for more information, I'm always given piecemeal information which cannot form a complete background. When I ask for more information, he just takes the form back.

On the other hand, it is observed that physical proximity with the parent company is not directly related to the local employees' access to information. For example, Co.A's parent company was located in Hong Kong, however, all the 18 local employees with low skills said that they have inadequate access to information – the highest among the four case companies (Table 5.5).

In terms of bottom-up communication, more than three-quarters of the local interviewees said that the Japanese encourage them to communicate ideas for formulating operational decisions' proposals. For example, Co.B draws on local employees' ideas through a "suggestion scheme". However, a majority of Co.B's local interviewees said that it is only a one-way communication. A local interviewee explained, "I have made many suggestions to the management through the 'suggestion scheme'. However, I seldom receive any feedback about how the Japanese have made use of my suggestions. It seems that my ideas have never been used." In other words, a peripheral communication practice of insufficient communication channels and access to information is applied to the local employees with low skills, and the costs involved are low.

The second category consists of **professional staff**. As indicated in Table 5.5, all professional staff of Co.B and Co.C perceived that they have adequate access to information. The local manager working for Co.B's EDP department said:

> I feel Japanese bosses tend to give us [professional staff] more information than to other local employees. For example, I can attend more meetings with the Japanese managers from both Hong Kong and the parent company. I think it is because the Japanese want us to get a fuller picture of the issue so that we can write more complete analytical reports from the data generated from the EPOS system.

Therefore, local professional staff are managed by a core communication practice with adequate access to information which involves low to medium costs.

The third category is that of **part-time staff**. Almost all of them perceived that they get adequate access to information for their work (Table 5.5). However, rather than having access to information, most of the part-time staff do not need to access to the information because most of them are housewives who work on an irregular basis, and do not intend to develop their career within the company. A part-time junior sales staff of Co.B said, "Sometimes, I feel the *chorei* (morning meetings) cover more information than I need to perform sales duties. I feel the information has no meaning to me, and I don't understand how to make use of it in my work." Therefore, the communication practice to this group of staff is peripheral, involving low costs.

The fourth category consists of **consignment staff**. The case companies need to communicate company policies to them especially those of customer services, e.g. the extended store opening hours during festive seasons. The communication practice is peripheral, involving low costs.

In brief, several observations can be made in relation to the communication practices for the local employees. Firstly, both professional and part-time staff perceived that they receive adequate information, while the employees with low skills perceived that they receive inadequate information. Secondly, none of the female employees said that they receive any gender-based treatment in terms of communication.

5.3.3 Comparing Communication Practices

The evidence of the communication practices shows that the four Japanese companies possess different number of employee groups (Table 5.6), implying that they possess the characteristics of structured employment systems. Co.C has six employee groups; Co.B has five employee groups, as has Co.A; and Co.D has four groups.

Table 5.6 Number of employee groups based on communication practices

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Employee with low skill	✓	✓	✓	✓
Part-time staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Number of groups	5	5	6	4

Source: From the analysis of the interview data.

The major difference in communication practices among the four companies is that Co.B and Co.C practise a core communication practice to the local professional staff, while all local staff of Co.A and Co.D are managed by a peripheral communication practice.

The cost implications of the communication practices applied to the various subsidiary employee groups are summarised in Figure 5.2 – Japanese male expatriates involving the highest costs, and local part-time and consignment staff the lowest costs.

Figure 5.2 The costs involved in communication for different employee groups

Low		Medium		High
Local employees with low skills, Local part-time staff, Consignment staff	Local professional staff	Japanese female expatriates		Japanese male expatriates

5.4 DECISION-MAKING

The Japanese restrict the power of decision-making to their own people in the parent company and overseas subsidiary, and exclude local employees from participating in any decision-making processes (Kopp, 1994a). Based on the initial data analysis of the interviewees' perception of having power to making decisions, two subsidiary employee groups - male and female - can be identified among the expatriates.

5.4.1 Japanese Expatriates

The examination of decision making for the expatriates focuses on two aspects - their perception of having the power to make decisions, and the extent of involvement in the various stages of decision-making. Many Japanese **male expatriates** said that they can make operational decisions[4] by themselves, but have to leave the strategic decisions[5] to the parent company. The Japanese managing director of Co.C explained, "We [Japanese managers] prefer a centralised approach of decision making in our company because in this way, the parent company can maintain control at a distance."

Under the guideline of the parent company, Japanese male expatriates can make operational decisions. The male expatriates follow the Japanese style of decision-making on a *ringi* (consensus) basis. They are involved in all three stages – idea generation, *nemawashi* (root-binding)[6], and *ringi* (consensus)[7] – of decision-making.

[4] The operational decisions refer to the decisions involving in daily operational activities which are made according to the major direction of the strategic business plan.
[5] The strategic decisions refer to the decisions involving in the major direction of the strategic business plan.
[6] In the *nemawashi* (root binding) stage, the person who put forward the proposal approaches different organisational members to solicit support before the proposal is tabled for discussion.
[7] In the *ringi* (consensus) stage, the proposal is circulated around and discussed among the organisational members until a consensus is reached.

The Japanese general manager of Co.B used the annual sales promotion schedule as an example to explain the process through which an operational decision is made:

> I receive the coming year's sales promotion plan from Japan. The document contains all the strategic direction and major themes of sales promotion for each season of the year. Before I make any proposal, I ask my local subordinates to suggest ideas about sales promotion topics and items based on the local trend, fashion, taste and preference of the coming year. After I have collected the suggestions from the local managers, I make a *ringisho* (proposal) based on the direction and themes provided by the parent company, and outline the sales promotion plan for all Hong Kong branch stores. I then circulate the proposal to all Japanese managers for comments - the *nemawashi* process. The initial approval of the proposal is made after all responsible Japanese managers have put their approval seals on the proposal, indicating that they have no objection. It is then discussed in the decision-making meeting, and the final decision can be made among the Japanese expatriate staff.

The **female expatriate** interviewees said that they are also involved in giving suggestions to proposals. However, they are not involved in the *nemawashi* process since the proposals are not circulated to them for approval. They can participate in the meetings in which decisions are made although they serve as observers rather than decision-makers.

In brief, male expatriates have the power *to make operational decisions by being* actively involved in the three decision-making stages. They are managed by a core decision-making practice similar to that of the Japanese core workers in Japan, involving high costs. The female expatriates have limited decision-making power, and are only involved in the idea generating stage in the Hong Kong operation. They are managed by a peripheral decision-making practice similar to that of the local (peripheral) employees, involving low to medium costs.

5.4.2 Local Employees

The examination of decision making for the local employees focuses on the extent under which they can participate in making decisions in the three stages – proposal stage, *nemawashi* (root binding) stage and *ringi* (consensus) stage. The results are shown in Table 5.7.

Table 5.7 The participation of local employees in decision-making

	First stage	Second stage	Third stage
Co.A (n=20)	10	0	0
Co.B (n=20)	18	0	3
Co.C (n=20)	16	0	4
Co.D (n=20)	5	0	0
Total (n=80)	49	0	7

Source: From the analysis of the interview data.

Several observations can be made in relation to Table 5.7. In the first place, over 60 percent of local interviewees said that their Japanese superiors ask them to give ideas and opinions during the proposal stage. However, no interviewees had participated in the second *nemawashi* stage, and only 7 interviewees had participated in the final *ringi* stage. The initial data analysis has identified four subsidiary employee groups - employees with low skills, professional staff, part-time staff, and consignment staff - according to their involvement in different stages of decision-making.

The first category is that of **employees with low skills**. 49 out of 72 (over 60 percent) of them said that they have been involved in the first stage of idea generation. Almost all local interviewees of Co.B, apart from a supervisor who just joined the company within the last three months, are involved in this stage. It is the largest number in this category among the Japanese companies since Co.B practises the "suggestion scheme" actively.

However, this category of employees seldom get involved in the second and third stages. Furthermore, those employed in the lower hierarchies stated that they do not know, or are not aware of, the *nemawashi* and *ringi* decision-making processes. Therefore, this group of employees is managed by a peripheral decision-making practice, involving low costs.

The second category consists of **professional staff**. Three professional staff from Co.B, and four from Co.C said that they have been involved in the third *ringi* stage of decision-making. Their Japanese superiors consult them for professional support and advice, e.g. giving figures to substantiate the proposals, or verify with them whether the proposals are workable. When the Japanese try to make decisions from the proposals which have made use of professional support and advice, the particular professional staff are invited to attend the decision-making meetings.

Decision-making meetings are divided into two parts - report and discussion. The first part of the meeting is conducted in English. The professional staff are invited to attend the first part to present the EPOS data and opinions when the issues require their expertise. However, the second part of the meeting is conducted exclusively in Japanese by the Japanese expatriate staff. The EDP manager of Co.B said,

> When I am invited to attend the decision-making meeting, my duty is to assist my Japanese boss to explain the data generated from the EPOS system to other Japanese managers. However, I am told by my Japanese boss that I am not supposed to discuss the proposal with other Japanese managers. After I have given my opinion, the Japanese start to discuss among themselves in Japanese, and I know it is time for me to leave the meeting.

Another EDP manager of Co.B reiterated, "I think the first part of the meeting is a ceremony. The Japanese do not expect us to get involved in any discussion, and no decision is made until we leave the meeting. The first part of the meeting usually lasts for less than one hour. However, the second part lasts much longer."

The Japanese manager working for the general affairs department of Co.C explained why local professional staff attend the decision-making meeting: "The professional staff can evaluate what sort of information they can generate from the computer, and extract relevant data to make our proposals more convincing to other Japanese. In other words, they help us to bind the roots of other Japanese colleagues (*nemawashi*) who can support us."

When asked why local professional staff have to leave the meeting when the decisions are made, Japanese interviewees attributed it to three reasons. Firstly, local staff do not have *shosha* - the ability to collect relevant information, analyse the information, and apply the result to business transactions on a higher level. Secondly, local staff do not have the appropriate status in the parent company. Even in the functional areas where Japanese control is less apparent, such as the personnel department, Japanese expatriates still have ultimate responsibility for decision-making and liaison with the Japanese parent company, although some local managers in Co.B and Co.C can be in charge of these functional areas. Thirdly, it is easier for the Japanese to discuss and analyse in their mother tongue.

The professional staff are only informed of the result of the decisions afterward, and thus are managed by a peripheral decision-making practice, involving low to medium costs.

The third and fourth category consist of **part-time staff** and **consignment employees**. Both groups are not involved in any stages of decision-making because they only work for short and irregular hours, and are employed by the consignment company respectively. They are managed by a peripheral decision-making practice, involving low costs.

In brief, local employees are mainly involved in the first idea-generating stage, apart from local professional staff. Although local professional staff are invited to attend the decision-making meetings, they play a supporting role rather than being involved in making any decisions. They have to leave the decision-making meetings when actual decisions are made, and the results of decisions are only communicated to them for implementation. As for the local female employees are concerned, they do not seem to have received any gender-based treatment in decision-making.

5.4.3 Comparing Decision-making Practices

On the evidence of the decision-making practice, the four Japanese companies possess the characteristics of structured employment systems. Each company possesses a different number of employee groups (Table 5.8) – Co.C has six employee groups; Co.B has five groups, as has Co.A; and Co.D has four groups.

Table 5.8 Number of employee groups based on the analysis of decision-making

Employee Groups	Co.A	Co.B	Co.C	Co.D
Japanese				
Male expatriate	✓	✓	✓	✓
Female expatriate	✓		✓	
Local Hong Kong				
Professional staff		✓	✓	
Employee with low skill	✓	✓	✓	✓
Part-time staff	✓	✓	✓	✓
Consignment staff	✓	✓	✓	✓
Number of groups	5	5	6	4

Source: From the analysis of the interview data.

The major difference in decision-making practices among the four Japanese companies is that only the professional staff of Co.B and Co.C can participate in the decision-making meetings, although they do not have any power to make decisions.

The cost implications for applying the decision-making practices to the various subsidiary employee groups are summarised in Figure 5.3 – Japanese male expatriates involving the highest costs, and local part-time employees the lowest costs.

Figure 5.3 The costs involved in decision-making for different employee groups

Low		**Medium**			**High**
Local employees with low skill, Local part-time staff Consignment staff	Local professional staff, **Japanese female expatriates**				Japanese male expatriates

5.5 FEATURES OF STRUCTURED EMPLOYMENT SYSTEM

The preceding discussions about the types and characteristics of employment systems in Japanese department store companies in Hong Kong are summarised in Table 5.9. Each employee group is employed by different human resource management and organisational practices.

Table 5.9 HRM and organisational practices for the employee groups

Practices	Japanese Expatriates		Local staff		
	Male	Female	Professional	Employees with low skills	Part-time & consignment
Recruitment	Core	Core	Periphery	Periphery*	Periphery
Selection	Core	Periphery	Periphery	Periphery*	Periphery
Pay	Core	Core/periphery	Periphery	Periphery	Periphery
Benefits	Core	Core/periphery	Periphery	Periphery	Periphery
Training	Core	Periphery	Periphery	Periphery**	Periphery
Development	Core	Periphery	Periphery	Periphery**	Periphery
Job assignment	Core	Core	Periphery	Core	Periphery
Communication	Core	Core	Core	Periphery	Periphery
Decision-making	Core	Periphery	Periphery	Periphery	Periphery

Source: Summarised from the analysis of the interview data.

Note: * Except for Co.A's graduate trainees who are recruited and selected by a core practice.

**Except Co.A which practises core training programmes for the local employee with low skills, e.g. job rotation, spiritual training and graduate training.

5.5.1 Groups of Employees

As indicated in Table 5.9, in broad terms, all Japanese male expatriates are managed by the core HRM and organisational practices. Japanese female expatriates are managed by a mixture of core and peripheral HRM and organisational practices. Local professional staff and local employees with low skills are mainly managed by peripheral HRM and organisational practices apart from these said practices. Firstly, local professional staff are managed by a core communication practice. Secondly, local employees with low skills especially managers and supervisors are managed by a core job assignment practice. Thirdly, local employees with low skills in Co.A are offered core training programmes such as job rotation, and spiritual training. Fourthly, graduate trainees of Co.A are recruited, selected and trained by core practices.

The graduate trainees are singled out as a separate subsidiary group in the analysis of two of the HRM practices - recruitment and selection, and training and development. However, in pay and benefits and the three organisational practices, they are treated in the same ways as other full-time employees with low skills. Therefore, rather than being considered as a separate category, they belong to the group of employees with low skills.

Local part-time and consignment employees are managed by peripheral HRM and organisational practices. Local female employees receive gender-based practices in recruitment and selection, pay and benefit, training and development, and job assignment.

More specifically, among all Japanese case companies, six major employee groups can be identified. They are:

(1) Japanese male expatriates employed in the internal labour market (ILM);

(2) Japanese female expatriates employed in the "diluted" ILM;

(3) local professional staff employed in the occupational labour market (OLM); while local female professional employees employed in the "diluted" OLM;

(4) local employees with low skills employed in the industrial/clerical labour market (ICLM);, while local female employees with low skills employed in a less favourable conditions within the ICLM;

(5) local part-time staff employed as the "second peripheral group[8]" in the external labour market (ELM) (Atkinson, 1985); and

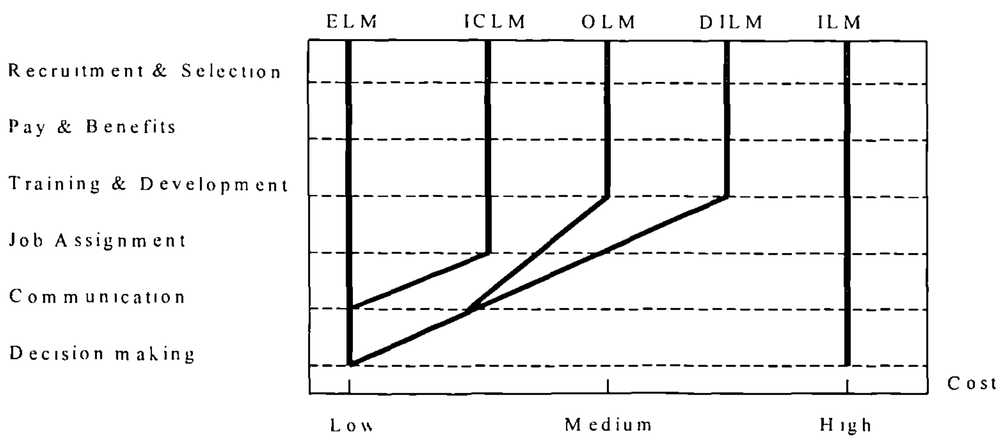
(6) consignment employees employed as the subcontracting staff outside the ELM (Atkinson, 1985; see Figure 2.1).

As a whole, the findings confirm Proposition 1 that the Japanese expatriates are employed in the ILM, and the local employees are employed in various labour markets outside the ILM - OLM, ICLM, and ELM.

5.5.2 Cost Implications

The preceding discussions in Chapters Four and Five on the costs involved in the employment systems are summarised in Figure 5.4.

Figure 5.4 The cost implications for different practices among employee groups



Source: Summarised from the analysis of the interview data.
Note: DILM: "Diluted" internal labour market.

As indicated in Figure 5.4, all HRM and organisational practices applied to Japanese male expatriates involve high costs, Japanese female expatriates involve a mixture of costs from low to medium-high, local professionals involve medium costs, full-time local employees with low skills involve low to medium costs, and local part-time employees involve low costs.

The reason for these differences is related to the principle objectives that an employment system is used to secure employees' skills, and to manage employees in a cost-effective way. For instance, the Japanese male expatriates are employed by the

8 According to Atkinson (1985), all local employees employed in the OLM, ICLM and diluted OLM are considered as the "first peripheral group". Thus, the part-time employees are employed as the "second peripheral group".

highest-cost core practices so that the Japanese parent company can secure their skills to perform international management functions. The skills of Japanese male expatriates are associated with their connections, credibility and trust which are built up through a long process of socialisation, and direct personal contact with the parent company. Therefore, this quality of the male expatriates cannot be easily found in other employees. Due to the scarcity of their skills in the overseas subsidiary, the costs involved in managing them by the HRM and organisational practices are the highest.

Conversely, the part-time staff are employed by lowest-cost practices. They are increasingly employed for their numerical flexibility especially under the labour shortage situation in the local labour market which has pushed up the general labour costs. On top of this, the recession in the local retail market has also cut back the company's profitability. As a result, all case companies try to cut their full-time local employment and replace them by part-time staff, using the external labour market system of employment to minimise labour costs.

The core practices – communication for the local professional staff, job assignments for the local employees with low skills, and generalist training programmes for Co.A's local employees – are adopted for the economic considerations of cost-saving. The costs involved in applying these core practices to local staff are relatively low. In the four Japanese companies, none of the high-cost practices, such as lifetime employment and company-wide welfare systems are adopted. Therefore, it can be argued that rather than internalising the local employees, the adoption of the low-cost core practices is to achieve the optimum utilisation of a multinational workforce.

Therefore, the findings confirm Proposition 2 that the high-cost core employment practices are applied to the employees in the ILM; a mixture of low-cost peripheral and medium to high core employment practices are applied to the employees in the "diluted" ILM; medium-cost peripheral employment practices are applied to the employees in the OLM; low-cost core and peripheral employment practices are applied to the employees in the ICLM; and low-cost peripheral employment practices are applied to the employees in the ELM.

5.5.3 Structured Employment System – Four Major Features

In the four Japanese companies, all expatriates are employed by the parent company, and all local employees are employed by the overseas subsidiary. These two primary employee groups are employed in a polarised system in Co.A and Co.D. Although local employees of Co.A are trained by core practices, the company's purpose is to minimise costs among the local employees rather than internalising them as core employees. Therefore, the employment systems employed by Co.A and Co.D are similar to each other. These two companies can be classified as employing a polarised employment system between Japanese expatriate and local staff.

Nevertheless, although polarisation between the Japanese expatriates and local employees exists in Co.B and Co.C, it becomes less obvious in these two companies because they employ a group of local professional staff. The local professional staff are recruited and selected by more lengthy procedures. They are paid with a higher basic salary and bonus, and a grade allowance. They receive training in Japan, and perform specialised jobs. They perceive they have adequate access to information, and are involved in decision-making meetings. They receive more favourable treatment in recruitment, selection and training than the female expatriates, which are reflected in the costs involved (see Figures 4.2 and 4.5). This has blurred the polarisation between the Japanese expatriates and local employees. Instead, the polarisation between the local professional staff and local full-time employees with low skills becomes more obvious.

In conclusion, two main types of structured employment systems can be identified. The first type belongs to Co.A and Co.D's employment systems which are more polarised between Japanese male expatriates and all local employees than that of Co.B and Co.C. The second type belongs to Co.B and Co.C's employment system which is more polarised between local professionals and local staff with low skills than that of Co.A and Co.D.

Furthermore, two more structured employment features can be identified among the four Japanese companies. Namely, casualisation of local employees with low skills, and under-utilisation of female staff. The four Japanese companies employ many part-time and consignment staff in the external labour market. The part-time staff are managed by the lowest-cost HRM and organisational practices. The consignment staff are employed by the consignment companies, and thus do not cost the Japanese case companies any expenses apart from training and communication. There is a general tendency for the four Japanese companies to employ an increasing number of these two employee groups to replace full-time local employees with low skills. The purpose of casualisation is for cost-minimisation. The makes the Japanese companies possess more employee groups, thus multi-layered employment systems.

The female employees – both Japanese and local - are managed by inferior HRM and organisational practices when compared with their male counterparts. Although the female expatriates of Co.A and Co.C are employed directly by the parent company, they receive inferior employment terms in recruitment, selection, pay, benefits, training, development, job assignment, communication and decision-making power. Thus, they are employed in a "diluted" form of ILM. Furthermore, local female employees are also the subject of gender-based employment practices in recruitment and selection, pay and benefits, training, and job assignment. Depending on their skill differences and jobs, the local female staff are either employed in a "diluted" OLM, or the a less favourable ICLM.

5.6 CONCLUDING REMARKS

Chapters Four and Five have distinguished two main types of case department stores in terms of their employment systems. They are summarised in Table 5.10.

Table 5.10 Two major types of structured employment system

Company	Employment features
Co. A Co. D	- Polarisation between Japanese & local employees - Casualisation of local employees with low skills - Under utilisation of female employees
Co. B Co. C	- Polarisation between Japanese & local employees - *Polarisation between local professional staff & local employees with low skills* - Casualisation of local employees - Under utilisation of female employees

The first type of employment systems belongs to companies such as Co.B and Co.C with employment systems of ILM, "diluted" ILM, OLM, "diluted" OLM, ICLM, less favourable ICLM, part-time and consignment staff in the ELM. A major distinction of employment conditions can be made between the local professional and other local staff. The second type of employment systems belongs to the companies such as Co.A and Co.D with employment systems of ILM, "diluted" ILM, ICLM, less favourable

ICLM, part-time and consignment staff in the ELM. The distinction of employment conditions can be made mainly between the Japanese and local employees.

This chapter finds that there are two main types of structured employment systems employed by the four Japanese companies which show four structured employment features. In order to find out more about whether the structured employment systems developed in the Japanese companies are unique to the Japanese culture, the next chapter will conduct the same variable testing on the six HRM and organisational practices in a British case company.

SECTION III

FACTORS LEADING TO STRUCTURED EMPLOYMENT SYSTEMS

SECTION III

FACTORS LEADING TO STRUCTURED EMPLOYMENT SYSTEMS

STRUCTURE OF CHAPTERS

Turning from the first micro-level analysis of the types and characteristics of Japanese department stores' employment systems in Hong Kong, Section III examines the factors leading to the employment systems. This section consists of two chapters – Chapter Six and Chapter Seven. Based on the findings of Section II, the four Japanese companies possess structured employment systems, and four employment features – polarisation between Japanese and local employees, polarisation between local professional staff and other local employees, casualisation of local employees with low skills, and under-utilisation of female employees. This section discusses the factors leading to structured employment systems, with reference to the four employment features.

Chapter Six examines the cultural factors leading to the structured employment systems employed by the four Japanese department store companies. In order to distinguish the cultural characteristics of Japanese employment practices, this chapter makes use of evidence derived from both a non-Japanese (British) department store in Hong Kong, and the existing literature. The first part of the chapter examines six HRM and organisational practices of the British company to find out its employment characteristics by the second level of micro-analysis approach. These characteristics of the British company are compared to those of the four Japanese companies to find out whether the structured employment features identified in the four Japanese department store companies can be found in the British company.

The second part of this chapter tests findings of the comparison between the Japanese and British employment characteristics against data derived from the existing literature. The literature of Japanese international management and comparative management is reviewed by the third level of micro-analysis approach to see whether the structured employment features can be found in Japanese, American and European overseas companies in countries other than Hong Kong. This two-way test of the structured employment systems – against the data from both the British company and existing studies conducted elsewhere – is to find out whether the structured employment systems found in the Japanese companies in Hong Kong are consistent with the general employment pattern prevailed in Japanese multinationals.

In brief, Chapter Six addresses the third research question – to compare the differences in employment systems between the Japanese, European and American MNCs. At the same time, it also addresses the fourth research question by identifying the cultural factors leading to the structured employment systems.

Chapter Seven continues to analyse the contextual and sectoral/technological factors leading to the structured employment systems. It is conducted by the fourth level of the micro-analysis approach through an in-depth investigation of two case companies – Co.A and Co.B. Co.A and Co.B are chosen for the case studies as they represent two distinct types of structured employment system. Co.A's employment system shows a distinct polarisation between Japanese and local employees, while Co.B's shows a distinct polarisation between local professional staff and other local employees. The structured employment systems of these two companies are studied in the context of their history and backgrounds, competitive environment and business strategies, especially the sectoral/technological factors which are related to their business strategies of the use of retail technology.

The objective of this chapter is to explain why the Japanese case companies employ the particular types of employment system from the contextual and sectoral/ technological perspectives. This chapter also addresses the fourth research question by identifying the factors leading to the structured employment systems, and assesses the implications of using structured employment systems by the Japanese retail MNCs for the long-term development in international management. It tests Proposition 3 that cultural factors lead to the polarisation between Japanese and local employees, and that sectoral and technological factors lead to further stratification of local employees within the local subsidiary of Japanese multinational retail companies.

CHAPTER SIX

STRUCTURED EMPLOYMENT SYSTEMS: CULTURAL FACTORS

6.1 INTRODUCTION

Turning from the identification of employment systems in Japanese retail MNCs, this chapter continues to address the second research question – the characteristics of the Japanese employment systems by comparing the systems practised between Japanese, European and American MNCs. Furthermore, this chapter also addresses the third research question by describing the factors leading to the structured employment systems, and their implications for Japanese MNCs' long-term development in international management. Based on the findings of the employment characteristics of the four Japanese companies, four structured employment features are identified – polarisation between Japanese and local employees, polarisation between local professional staff and other local employees, casualisation of local employees with low skills, and under-utilisation of female employees.

Based on the features found in the Japanese companies, this chapter examines whether a non-Japanese retail company in Hong Kong demonstrates similar structured employment features. The chapter employs the same HRM and organisational variables used in Chapters Four and Five to test against the British "control" case company – Co.E. The employment characteristics of Co.E are examined in Section 6.2. Its results are used to compare with the employment characteristics of the four Japanese companies in Section 6.3. Section 6.4 draws on the second set of employment data derived from the existing literature of international management, as well as comparative management between Japanese, American and European MNCs conducted elsewhere. This two-way test helps to identify which structured employment features are related to the characteristics of Japanese culture. Section 6.5 traces the cultural factors leading to the development of the structured employment features from the characteristics of Japanese culture and values. Finally, Section 6.6 examines the implications of these cultural factors to the long-term development of Japanese retail MNCs in international management.

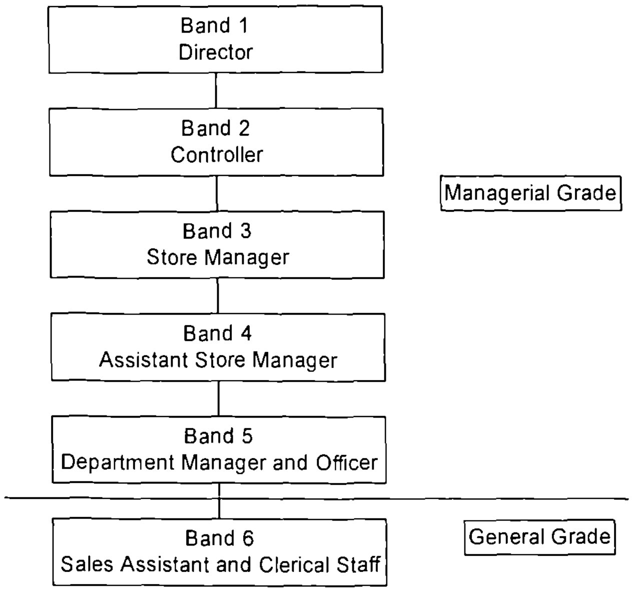
6.2 EMPLOYMENT PRACTICES OF A BRITISH DEPARTMENT STORE COMPANY – CO.E

The characteristics of Co.E's employment system are derived from the examination of three human resource management practices – recruitment and selection, remuneration and welfare, and training and development; and three organisational practices – job assignments, communication and decision-making.

Before the examination of Co.E's employment practices, the profile of Co.E is briefly introduced. It is a wholly-owned British company with its parent company located in London. The first store was opened in 1988, and thus is about the same age as Co.B. By the mid-1996, Co.E had already opened nine store outlets. The company employs three strategies which differ from the Japanese companies. Firstly, its store outlets locate in both downtown and new towns (refer to Table 3.1). Secondly, it sells only its house-brand merchandises which are well known for its quality and value. Thirdly, it employs only two British expatriates in Hong Kong.

The data was collected from a total of 20 interviewees – one British expatriate and 19 local employees (7 male and 13 female). In order to make it easier to compare with the results of the four Japanese companies, interviewees of Co.E were selected from four levels – top management, managerial, supervisory, and sales. Both the parent company and Co.E categorise staff into six bands (Figure 6.1). Band 1 consists of directors, and band 2 consists of controllers. Both bands 1 and 2 correspond to the top management of the Japanese case companies (see Figure 4.1). Band 3 consists of store manager, and band 4 consists of assistant store manager. Both bands 3 and 4 correspond to the managerial level of the Japanese companies. Band 5 consists of department manager and officer which corresponds to the supervisory level of the Japanese case companies. It should be pointed out that Co.E considers all staff ranging from bands 1 to 5 as the "managerial grade" staff. Band 6 consists of sales assistants and clerical staff, which corresponds to the sales level of the Japanese companies. Co.E considers all staff employed in band 6 – on both full-time and part-time basis – as the "general grade" staff.

Figure 6.1 Employment structure of Co.E and its parent company



Source: Form interview data.

Two interviewees – the British director and the local female controller working in the head office – belonged to the top management. Seven local interviewees came from managerial level, and seven from the supervisory level. All these 16 interviewees are grouped as managerial grade staff in the analysis below. Four local interviewees came from sales level – 2 full-time and 2 part-time (Appendix 3). One of the interviewees was an intimate providing in-depth information about the company. The interviewees were selected to represent different nationalities, skills/professions, hierarchies, employment status and gender so that employee groups employed in different labour markets could be identified.

6.2.1 Human Resource Management Practices

The **recruitment and selection** process for the two British expatriates is similar to that of the local employees employed in the managerial levels. The British expatriate interviewee explained, "The company employs a standard recruitment and selection procedure in both the headquarters in London and all subsidiary companies throughout the world. Therefore, all managers are recruited and selected by the parent company's methods and criteria." Managerial grade staff are recruited either directly from universities as management trainees, or from mid-career through newspaper advertisements.

Five managerial grade interviewees, including the British, were recruited directly from universities as management trainees. They had gone through the standard selection procedure for management trainees: 1) a test of problem-solving skills, 2) an interview, 3) a store visit, and 4) personality tests conducted in the company's assessment centre. Their selection was based on seven selection criteria - enthusiasm /motivation, assertiveness, leadership, analytical consideration, international awareness, teamwork, and adaptability. These seven criteria are based on applicants' attitudes and personality. Co.E prefers to employ staff with a highly flexible personality, the skills to relate well with people at every level, organisational skills to juggle a multitude of different activities, interest in retailing, be geared towards the sales floor operation and committed to maximising sales and minimising costs (Anonymous, 1996; South China Morning Post, 1996a).

Another 11 (nearly half of) managerial grade interviewees were recruited by newspaper advertisements. They had gone through a standard selection procedure: 1) a test of problem-solving skills, 2) an interview, and 3) attachments to two stores. Their selection was also based on the above seven selection criteria.

Since the recruitment and selection procedure based on the seven criteria are applied to all managerial grade staff in both the head office in London, and all overseas subsidiaries worldwide, both expatriate and local managers are managed by a core practice,[1] involving high costs. Co.E spends much more on recruiting managers than other companies of comparable size, since Co.E's recruitment and selection procedures are complicated, time-consuming and "management-intensive" (Tse, 1985).

The full-time and part-time sales interviewees were recruited by walk-in and referrals respectively. They had gone through only one interview conducted by the personnel manager of the branch store. The interview selects the applicants by six skill-based criteria - job motivation, teamwork, adaptability and stress tolerance, work standard and confidence, oral communication, and customer service. Thus, general grade sales staff are recruited and selected by a peripheral practice[2], involving low costs.

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[1] According to the definition mentioned earlier, under the core practices, employees are managed by HRM and organisational practices in the same way as the regular core employees employed in the parent company.

[2] According to the definition mentioned earlier, peripheral practices refer to the HRM and organisational practices which are applied to the non-regular employees.

The company employs an egalitarian policy which applies to recruitment and selection. The local personnel manager of the head office stated,

> Our company does not discriminate against anyone on any grounds. The major selection criterion is the suitability of the applicant to the job. In our parent company in London, 10 percent of our general grade staff, and 5 percent of our managers belong to the ethnic minorities. In Hong Kong, we have reduced the number of expatriates from 7 in 1991 to 2 in 1996. Furthermore, our company advocates equal employment opportunity. In our parent company, 70 percent of our store managers, and 60 percent of head office managers are female. Women have risen to the highest hierarchical levels. We are a signatory of "Opportunity 2000"[3] endeavouring to develop women's potential at work. In Hong Kong, there is an increase of about 4 percent of women at senior levels each year.

Co.E conforms to the headquarters' equal opportunities policy, and treats female staff on the same basis as their male counterparts. None of the 13 female interviewees said they have received any gender-based treatment during recruitment and selection. A local female commercial manager said, "I have been working here since 1987. I can develop my career like the male colleagues. I think one of the crucial factors contributing to the company's ability to maintain a stable team of local management staff is related to the equal opportunities policy." Female employees cannot be distinguished as an employee group.

Furthermore, since the company sells 100 percent house-brand products, it does not have any consignment staff working inside the company. Co.E's recruitment and selection for the employee groups are summarised in Table 6.1.

Table 6.1 Recruitment and selection for Co.E's employee groups

	Managerial Grade (Expatriate & local)	General Grade (Full-time & part-time)
Recruitment		
Fresh graduate	✓	
Newspaper advertisement	✓	
Referral & walk-in		✓
Selection		
Tests	✓	✓
Interview	✓	✓
Company visit	✓	
Attachment	✓	
7 personality-based criteria	✓	
6 skill-based criteria		✓

Source: From the interview data.

[3] "Opportunity 2000" is a campaign set up in 1991 in the UK to enhance opportunities for women in business (Brockbank and Airey, 1994).

Two observations can be made in relation to Co.E's recruitment and selection practices. Firstly, both expatriate and local managers are managed by high cost standardised recruitment and selection methods based on personality criteria. Secondly, general grade staff – both full-time and part-time - are recruited and selected by low to medium costs methods based on skill-related selection criteria. As a whole, two employee groups – managerial and general grade staff – can be identified in Co.E. Co.E varies its recruitment and selection practices on the basis of hierarchy between the managerial and general grade staff.

Co.E's egalitarian policy also applies to the **pay and benefit** practice which is based on the company's band system. All full-time staff, disregarding their nationality and gender, are compensated according to the band they belong to. Since the British director and local controller interviewee belonged to bands 1 and 2 respectively, they enjoyed the benefits of housing and chauffeur. Furthermore, all expatriate staff – both British expatriates in Hong Kong, and Hong Kong employees assigned overseas – are compensated with overseas allowances and mobility package.[4] As a whole, Co.E applies an equal pay and benefit practice to both expatriate and local staff.

Among the full-time staff, the major difference in pay system lies in the annual pay adjustment. The annual pay is adjusted every year according to individual performance. The pay for managerial grade staff is adjusted according to intangible performance criteria such as leadership and assertiveness. On the other hand, the pay for general grade staff is adjusted according to tangible criteria such as punctuality and attendance. Thus, the annual pay adjustment criteria vary according to two types of staff - managerial and general grade staff.

However, the full-time staff are paid on a monthly basis with abundant benefits, and part-time staff are paid on an hourly basis with minimal benefit. Thus, the major variation in the pay and benefit systems among the general grade staff lies on their employment status.

None of the 13 female interviewees said they encountered any gender-based treatment in pay and benefit. They felt the company was implementing an equal opportunities policy to all staff.

[4]The overseas allowances and mobility package include resettlement grant, bridging funds, disturbances allowance, legal and removal expenses, help with temporary accommodation, financial assistance for staff spouse who cannot find a new job immediately after the move (Co.E's Training Department, 1995).

Co.E's pay and benefit practices are summarised in Table 6.2. Managerial grade staff – expatriate and local – are managed by a core practice, involving high costs. General grade staff are managed by a peripheral practice, and can be stratified according to their employment status. The pay and benefits for full-time general grade staff involve medium costs, and that for part-time staff involve low costs. Therefore, three major employee groups – managerial, full-time general, and part-time staff – can be identified in Co.E. Different pay and benefit practices are applied to the three employee groups on the basis of hierarchy, and employment status.

Table 6.2 Pay and benefit for Co.E's employee groups

	Managerial Grade (Expatriate & local)	General Grade (Full-time)	General Grade (Part-time)
Pay			
Monthly basis	✓	✓	
Hourly basis			✓
Annual Pay Adjustment			
Intangible criteria	✓		
Tangible criteria		✓	✓

Source: From the interview data.

Co.E adopts a worldwide standard approach to staff **training and development** similar to that of the parent company. The personnel manager explained, "No matter where you join the company and in whichever discipline, all employees receive training and development opportunities on an equal basis, based on the company's worldwide standard practice." Five managerial grade interviewees, including the British who were recruited into Co.E as graduate trainees, went through a three-week induction, attachment to different departments, off-the-job skill training, and continuous assessment and evaluation. The rest of the 11 managerial grade interviewees received the same training and development process apart from having a shorter induction which lasted for one day.

Furthermore, all the managerial grade interviewees had to assume "ownership" of their training and development by designing their own programmes. They have to design a training planner by identifying the most appropriate ways for learning, based on their own needs (Anonymous, 1995c; Co.E's Training Department, 1995). The practice can be attributable to two factors. Firstly, the personnel manager of the Ocean Centre store explained,

> Managers come from a combination of experience. Some have been promoted from general grades, some joined the company as fresh graduates, and others have had relevant experiences from other companies. It is no good for them to attend the same training programme which does not suit their needs. It's more appropriate for them to design their own training and development.

Secondly, it aims to develop in managers independent learning skills and general skills for long-term career development. Thus, managerial grade staff - expatriate and local - are managed by a core training and development practice, involving high costs. In addition to the time and costs invested by Co.E, the managerial grade staff have to put in large amount of time and efforts to tailor-make their own training and development programmes.

General grade interviewees were trained by an induction, an attachment to a branch store for the initial two-month on-the-job training, and an off-the-job professional qualification training called National Vocational Qualification (NVQ) by taking two hours off each week from work. Apart from the induction which lasts one-day for part-time staff and two days for full-time staff, all general grade staff receive the same type and amount of training. The HR controller of training in the head office explained, "Since we employ a large number of part-time staff who are more likely to serve customers durıng busy hours, it is imperative for them to have good training. Although they work for only short hours, the part-time staff enjoy the same type and amount of on-the-job and off-the-job training as the full-time sales assistants." The training provided to the general grade staff is skill-based, with the aim of acquiring immediate skills to perform jobs. They are managed by a peripheral training and development practice, involving low to medium costs.

Co.E's egalitarian policy applies to training and development. The local controller said, "I receive the same opportunities of training and development as my British colleagues. The career development of staff is not restricted to national boundaries. The company places equal emphasis on attachments, job swaps and project work on both national and international basis to provide on-the-job training." Furthermore, none of the 13 female interviewees said they received any gender-based treatment in training and development.

The training and development for Co.E's employee groups is summarised in Table 6.3. It shows that both expatriate and local managers receive the same type and amount of training and development. Two major employee groups – managerial and general grade staff – are identified in Co.E. The basis for the provision of training and development lies in hierarchy.

Table 6.3 Training and development for Co.E's employee groups

	Managerial Grade (Expatriate & local)	General Grade (Full-time & part-time)
Induction		
2-3 weeks	✓	
1-2 days		✓
On-the-job		
Supervisor	✓	✓
Job attachment	✓	
Off-the-job		
Skills	✓	✓
NVQ		✓
Training planner	✓	

Source: From the interview data.

6.2.2 Organisational Practices

The company practises cross-functional **job assignment** for all managerial grade staff, including the expatriates. All the 16 managerial grade interviewees stated that in addition to prescribed tasks in their job descriptions, they had to perform various other tasks. This practice is reflected in Co.E's employment strategies.

Firstly, the use of the personality-based selection criteria shows that Co.E emphasises selecting candidates who are willing to perform cross-functional jobs. Secondly, it is related to Co.E's "team approach" to store management. Each store has a management team which consists of store manager, personnel manager and administration manager. The principle is for each team member to be a general manager first, and a specialist second. For example, line managers are expected to perform cross-functional jobs such as appraising subordinates' performance, training and developing subordinates. This practice is to develop managers with knowledge and managerial skills, which in turn encourages changes and allows autonomy. In brief, managerial grade staff are managed by a core job assignment practice, involving high costs.

Conversely, all general grade interviewees said that they only performed specialised sales duties according to the job descriptions. This is also reflected in their skill-based selection criteria. General grade staff are managed by a peripheral job assignment practice, involving low costs.

None of the 13 female interviewees said they have received any gender-based treatment in job assignment. Almost all female manager interviewees said that both male and female managers have to work on the sales floor during busy seasons on an equal basis. Thus, two employee groups - managerial and general grade staff – are identified in Co.E. The basis for practising job assignment lies on hierarchy.

Communication with the parent company is not confined to the British expatriates. All the 8 local senior managerial grade interviewees above the supervisory level said that they need to communicate directly with the parent company in various strategic and operational activities. When asked whether they have adequate information communicated from the management and vice versa, almost all interviewees said that they receive adequate information. The local personnel manager attributed this to efficient top-down communication channels:

> All full-time staff are kept well informed of performance and objectives of the company through personal briefings from various sources. They include briefing from their superiors in regular meetings, daily morning meetings, and staff publications. Moreover, directors and executives visit stores regularly to discuss various issues about the store. Furthermore, the store personnel managers provide counselling to staff who would like to discuss work and personnel problems. Line managers are encouraged to discuss work performance, attitude, punctuality and attendance with their subordinates on a regular basis in an informal context.

A local commercial manager explained that the "focus teams" practice plays an important role in the bottom-up communication:

> The company forms various focus teams involving a large number of full-time employees. Team members remain together for a year and meets once every eight weeks. They have the right to raise questions and seek comments on behalf of their staff category in the issues for improving daily business operation. Separate meetings are also held with the store manager and personnel manager to invite management's comments on the issues and recommendation. This gives all staff an opportunity to bring issues into the open for informal discussion with management, and enables management to get feedback from staff. A notice board in each store is used to announce focus teams' activities, and display minutes of the meetings. Furthermore, staff representatives of the team can also attend annual general meeting as observers and disseminate the results to other staff members. In other words, there are no secrets in this company.

On the other hand, part-time staff are not entitled to participate in focus teams because they only work for limited hours. However, they have adequate access to the top-down information. All full-time staff are managed by a core communication practice, involving high costs; while part-time staff are managed by a peripheral communication practice, involving low costs. Two employee groups – full-time and part-time staff – are identified in Co.E. The major difference in the provision of communication to staff is based on employment status.

Co.E has an open **decision-making** practice involving all employees. Almost all interviewees mentioned that in one way or another, they can participate in decision-making for these two reasons. Firstly, operational decisions are decentralised to the store level. Therefore, store managers have the authority and autonomy to make decisions for most of their store's activities such as recruitment and assigning job duties to sales assistants.

Secondly, the "focus team" policy has extended the power of decision-making to all staff, including the full-time general grade staff. Different focus teams are formed to discuss various personnel or operational issues of the company. Employees from all hierarchies and departments are asked to join focus teams. Their functions are to solicit ideas from their fellow workers, work out proposals on issues, and participate in making final decisions. A full-time sales assistant said, "Since there are so many focus teams running at the same time, each staff member has his/her turn to participate in decision-making through joining focus teams." The department manager at the supervisory level reiterated this:

> Since I joined the company a year ago, I have already represented my department twice to participate in focus team activities. In the team, we not only solicit the opinions of the staff to propose ideas, but also invite the management to listen to our proposals, and participate in the discussion when the decisions are made. Therefore, everyone in this company has an equal opportunity to participate in making decisions.

All full-time staff are managed by a core decision-making practice, involving high costs; while part-time staff are managed by a peripheral practice, involving low costs. Two employee groups – full-time and part-time staff – are identified in Co.E. The decision-making practice is based on employment status.

6.2.3 General Employment Features of Co.E

The above evidence shows that three major employee groups – managerial grade, full-time general grade, and part-time staff – can be identified in Co.E. The preceding discussions about the characteristics of Co.E's employment system are summarised in Table 6.4.

Table 6.4 Characteristics of Co.E's employment system

Practices	Managerial Grade	General Grade	
		Full-time	Part-time
Recruitment & selection	Core	Peripheral	Peripheral
Pay & benefits	Core	Peripheral	Peripheral
Training & development	Core	Peripheral	Peripheral
Job assignment	Core	Peripheral	Peripheral
Communication	Core	Core	Peripheral
Decision-making	Core	Core	Peripheral

Source: Summarised from the analysis of the interview data.

The evidence shows that Co.E tends to manage its employees on the basis of hierarchical level and employment status. All managerial grade staff - both the two expatriate, and local - are managed by core HRM and organisational practices, involving high costs. There are no exceptions for managers working in the professional positions, such as information technology, finance and personnel management; and the female managers. The core HRM and organisational practices applied uniformly to all managerial grade staff as a result of the company's egalitarian employment policy.

On the other hand, full-time general grade staff are managed by both core and peripheral practices, while part-time staff are also managed by peripheral HRM and organisational practices.

6.3 COMPARING EMPLOYMENT SYSTEMS BETWEEN JAPANESE AND BRITISH CASE COMPANIES

Based on the above results, this section compares the employment characteristics of the four Japanese companies and the British "control" company to address the research question – the differences in employment practices between Japanese and Western MNCs. The comparisons are based on two aspects – how employees are managed under each HRM and organisation practice, and the number of employee groups identified in each company.

6.3.1 HRM Practices

In the practice of **recruitment and selection**, Japanese and British case companies have several differences. Firstly, the four Japanese companies recruit and select male expatriates by a high cost core practice, and local employees by various low-to-medium cost peripheral practices, except for a limited number of Co.A's graduate trainees. In contrast, the British company recruits and selects all managerial grade staff – both British and local – by a core practice, involving high costs, and all general grade staff - full-time and part-time – by a peripheral practice, involving low to medium costs. Thus, polarisation between expatriate and local staff is less obvious in Co.E than that of the four Japanese companies.

Secondly, although Co.E is one of the most advanced companies using sales technologies in Hong Kong, it does not recruit any professional staff from the external labour market. Instead, it trains up its own staff to carry out professional tasks for the implementation of the electronic point of sales (EPOS) system. Therefore, polarisation between local professional and other local staff is less obvious in Co.E, when compared with Co.B and Co.C. However, the policy of Co.E requires a comment. The parent company is renowned for its innovative management which, in many ways, are non-British (Tse, 1985). Its policy of making all managerial grade staff generalists is adopted specifically to cope with fluctuating customer demand. Thus, this policy is neither a common practice adopted by the Western MNCs in industries other than retailing, nor a product of a non-Japanese culture. Rather, it may be unique to the retail companies, or the British company itself.

Thirdly, a difference can be found in the utilisation of female staff. Evidence shows that both Japanese and local female staff of the four Japanese companies have experienced gender-based recruitment and selection treatment. However, Co.E treats its female staff on the same basis as their male counterparts because of its equal opportunities policy. Thus, the under-utilisation of female employees is less obvious in Co.E than that of the Japanese case companies.

Fourthly, due to the policy of selling "100 percent house brand products" through direct sales, the British company does not employ any consignment staff.

As a whole, the four Japanese companies vary recruitment and selection methods on the basis of national origins, skills and gender. In contrast, the British company does so by hierarchical levels. The four Japanese companies demonstrate more structured employment features when compared with the British company. On average, the

Japanese companies have approximately 6 employee groups, and the British company has only 2 groups (Table 6.5).

Although both Japanese and British case companies compensate the part-time staff on a similar hourly basis, they apply **pay and benefit** practices to other employee groups on several different bases. Firstly, the Japanese companies pay Japanese expatriates according to their ranks in the parent company, supplemented by exclusive overseas benefits and allowances, while paying local employees according to the local market rate. However, the British company pays both expatriate and local staff according to the company's band system which is implemented on a standard worldwide basis.

Secondly, since the British company adopts an equal opportunities policy, it does not compensate staff working for professional jobs, and female staff by different pay and benefit standards. On the contrary, both Co.B and Co.C offer local professional staff with more favourable pay and benefits than that of other local managers with low skills. Furthermore, the four Japanese companies tend to offer a gender-based pay practice to both Japanese and local female staff.

In sum, Japanese companies base their pay and benefit practice on national origins, skills, employment status, and gender; while the British company does so by hierarchical levels and employment status. The four Japanese companies have more structured employment systems compared with the British company. On average, the Japanese companies possess 6 employee groups, and the British company has 3 groups (Table 6.5).

In **training and development**, the four Japanese companies train and develop male expatriates by a high cost core practice, and local employees by various low to medium cost peripheral practices. Although Co.A practises core training practices – graduate training, spiritual training, and job rotation – among local employees, they are not practised to include local employees in the internal labour market. On the other hand, all Co.E's managerial grade staff – both British and local staff who are recruited from mid-career and university as management trainees - are trained and developed by a high cost core practice. Thus, polarisation between expatriates and local staff in Co.E is less obvious than in the Japanese companies.

The four Japanese companies base their training and development practice on national origins, skills and gender; while the British company does so by hierarchical levels. The Japanese companies have more structured employment systems compared with that of the British company, with the Japanese companies having approximately 5 employee groups, and the British company only 2 groups (see Table 6.5).

6.3.2 Organisational Practices

Although both Japanese and British companies practise cross-functional **job assignment** for all managerial staff, the Japanese companies have different objectives from that of the British company. The four Japanese companies assign Japanese male expatriates to cross-functional tasks for developing generalist managerial skills, and improving organisational effectiveness. Conversely, they assign cross-functional tasks to local managers with low skills for cost-saving. On the other hand, the British company assigns all managerial grade staff – both British and local – to cross-functional tasks for developing generalist managerial skills, and improving organisational effectiveness. Thus, polarisation between expatriates and local staff is less obvious in the British company than the Japanese companies.

Furthermore, the Japanese companies employ different job assignment practices to two employee groups – professional and female staff. Both Co.B and Co.C tend to assign specialised tasks to professional staff. The Japanese companies tend more to assign lower-level tasks on the sales floor to female staff than to male staff. On the other hand, since Co.E employs an equal opportunities policy, these two phenomena are less likely to occur in Co.E. Therefore, the Japanese companies demonstrate a more obvious polarisation between professional staff and other local staff, and under-utilisation of female managers than that of the British company.

In brief, the four Japanese companies base their job assignment practice on national origins, skills and gender; while the British company does so by hierarchical levels. The Japanese companies have more structured employment systems compared with the British company. On average the Japanese companies possess 6 employee groups, and the British company possesses only 2 groups (Table 6.5).

Employees are managed under different **communication** practices between Japanese and British case companies, apart from the part-time staff. In the Japanese companies, male expatriates perform exclusive international management roles to communicate, coordinate, integrate, and control activities of the Hong Kong operation. They are managed by a high cost core communication practice. Local employees have no direct communication with the parent company, except the professional staff of Co.B and Co.C. Local employees with low skills are managed by a low-cost peripheral communication practice because they do not receive sufficient access to information.

On the other hand, Co.E's local senior managers of have to communicate directly with the parent company, and all its local staff perceived that they receive sufficient access to information from both top-down and bottom-up communication channels. Thus, Co.E shows less polarisation between expatriate and local staff in communication practice compared with the Japanese companies.

In brief, the four Japanese companies base their communication practices on national origins and skills, while the British company does so according to full-time/part-time employment status. The Japanese companies have more structured employment systems compared to the British company. On average the Japanese companies have 5 employee groups, and the British company has 2 groups (Table 6.5).

In **decision-making** practice, the extent of power delegated to local employees differs between Japanese and British case companies. The four Japanese companies centralise decision-making power to the male expatriates. In contrast, Co.E decentralises power to all full-time employees, who equal opportunities to participate in decision-making through the implementation of focus teams. The four Japanese companies base the decision-making practice on national origins, skills and gender; while the British company does so by full-time/part-time employment status. The Japanese companies have an average of 5 employee groups, and thus possess more structured employment systems, compared with that of the British company which has an average of 2 groups (Table 6.5).

6.3.3 Summary of the Comparisons

Compared with the four Japanese companies, the British company tends not to provide any special employment advantages to the expatriates, staff working for professional jobs, and male staff. Therefore, three of the structured employment features – polarisation between expatriate and local staff, polarisation between professional and staff with low skills, and under-utilisation of female staff – are less likely to be identified in Co.E. Nevertheless, Co.E shows the feature of casualising full-time employees by increasing part-time employment. Table 6.5 summarises the number of employee groups for all case companies.

Table 6.5 Number of employee groups in Japanese and British case companies

	Co.A	Co.B	Co.C	Co.D	Co.E
Recruitment & selection	7	6	7	5	2
Pay & benefit	6	6	7	5	3
Training & development	6	5	6	4	2
Job assignment	6	6	7	5	2
Communication	5	5	6	4	2
Decision-making	5	5	6	4	2
Total average	5.8	5.5	6.5	4.5	2.1

Source: Based on the analysis of the findings of Chapters Four, Five and Six.

As a whole, the British company possesses fewer employee groups than that of the four Japanese companies. Japanese case companies possess an average of 5 to 6 employee groups, while the British company only possesses an average of 2 groups. In other words, the employment systems of Japanese case companies are more structured and stratified than that of the British company.

6.4 TRACING STRUCTURED EMPLOYMENT SYSTEMS FROM EXISTING LITERATURE

The above evidence shows that the British company possesses less distinct characteristics in three structured employment features when compared with the Japanese companies. However, the employment policies of the British company may be unique to the company itself, rather than a product of a non-Japanese culture. Broader reference to the literature on European and American MNCs may therefore serve to generalise the specific findings from this one company. This section thus draws on existing literature to verify the above findings. The literature includes Japanese international management, and comparative management studies about international management strategy adopted by Japanese, European and American MNCs.

A majority of the existing studies suggested that Japanese MNCs tend to use a more ethnocentric management approach than the European and American MNCs (for example, Sethi *et al.*, 1984; Evan *et al.*, 1990; Holt, 1993). Japanese MNCs employ a higher percentage of expatriate staff than the American and European MNCs. The presence of Japanese expatriates in Japanese overseas subsidiaries amounted to three to four times more than that of the American and European MNCs (Tsurumi, 1976; Kono, 1984). In the late 1970s, the over-staffing of Japanese expatriates in overseas subsidiaries was so serious that the Ministry of International Trade and Industry had to issue a guideline to limit the Japanese-local employee ratio to at least 1 to 30 (Ozawa, 1979). The over-staffing of Japanese expatriates in overseas subsidiaries intensified in the 1990s (Pucik, 1994; Beechler and Iaquinto, 1994). The Japanese MNCs' ethnocentric employment systems is in the main the result of their use of these said employment strategies.

Firstly, Japanese MNCs use different approaches of strategic control from that of the American/ European MNCs (Evans, Doz and Laurent, 1990). Japanese use a "centralised" approach which depends heavily on the transfer of expatriate employees from Japan. In contrast, the American "formalised" approach relies on formal systems, policies and standards through organisation-wide strategic planning processes. The European "socialisation" approach depends on careful recruitment, development and acculturation of key decision-makers to establish shared values and objectives across diverse nationalities. Thus, the American/European MNCs do not need to depend on the transfer of as many parent-country nationals from the head office as the Japanese MNCs (Hendry, 1994).

Secondly, Japanese MNCs centralise all decision-making power to the Japanese expatriates who have ultimate decision-making responsibilities, and exclusive liaison power with the parent company. Even for the Japanese expatriates who are only in supervisory capacity, they can have the final decision-making power (Dunning, 1986; Shimizu, 1991; Kopp, 1994b). In contrast, very few American and Western executives can maintain exclusive decision-making prerogatives in their overseas subsidiaries (Pucik, 1994).

Thirdly, Japanese MNCs only transfer low cost core employment practices for the management of local employees, e.g. cross-functional job assignment and job rotation. However, most of the high cost core practices such as seniority-based wage, bi-annual bonus, consensus decision-making, and open communication are not applied to the local employees (Dedoussis, 1991). Thus, Japanese and local staff are managed by separate employment systems. This explains why they are managed by different payroll records and criteria (Sethi *et al.*, 1984).

Fourthly, Japanese MNCs employ structured employment systems for the purpose of control. Compared with the Western MNCs, Japanese MNCs tend more to artificially divide jobs into different segments and create differences in skill components. In this way, employees are divided into different labour markets. To enhance their control, Japanese MNCs also use bureaucratic control by manipulating institutional means, such as rules and regulations, job titles, and pay scales, to divide employees into different labour markets (Burnell, 1993; Sparrow and Hiltrop, 1994).

Fifthly, both Japanese female expatriates and local female employees experience more gender-based treatment, and tend to be trapped in the lower level jobs in Japanese MNCs (Yoshino, 1975; Lam, 1992). They are employed in less privileged employment conditions than their counterparts working in the British and American MNCs (Everett and Stening, 1983; Kopp, 1994b).

As a whole, existing literature confirms two of the structured employment features - polarisation between Japanese and local employees, and under-utilisation of female staff. This is basically consistent with the results of the comparison between the Japanese and the British case companies.

6.5 CULTURAL FACTORS LEADING TO STRUCTURED EMPLOYMENT SYSTEMS

The factors contributing to the higher tendency of Japanese overseas companies applying the two structured employment features – polarisation between Japanese and local employees, and under-utilisation of female staff – more than their Western counterparts can be traced to Japanese national culture (for example, Wilkins, 1993; Robinson, 1985). This section traces the cultural factors leading to the development of these two features, and is organised in three headings. Section 6.5.1 examines the historical development of Japanese internationalisation in relation to Japan's cultural environment. Sections 6.5.2 and 6.5.3 examine the factors leading to the polarisation between Japanese and local employees and under-utilisation of female staff respectively, from the characteristics of Japanese national culture.

6.5.1 Development of Japanese Internationalisation

The argument that Japanese MNCs were late-developers in multinationalisation as a result of her short history in foreign direct investment (FDI) is prevalent in existing literature (for example, McMillan, 1985; Tsurumi, 1976). However, contrary to this argument, it is found that many Japanese MNCs had already existed since the late 19th century, and thus had a rather long FDI history. The Japanese FDI in manufacturing and service industries represented between 9.9 to 12.8 percent of Japan's GNP in 1914 (Wilkins, 1993). In other words, the late-comers argument becomes less valid to explain why Japanese MNCs adopt an ethnocentric management approach overseas, compared to the cultural arguments.

Rather than being late-comers, Japanese MNCs tended to expand FDI at a much slower pace than Western MNCs. For example, until 1977, Japanese FDI in the US did not exceed 5 percent of the total American FDI (Wilkins, 1994). Even in 1990, the total number of local employees working for Japanese manufacturing subsidiaries was only 1.05 million, and Japanese expatriates only accounted for 0.15 percent of the total number of Japanese employed in manufacturing companies in Japan (Itami, 1994). As a result of the slow pace of internationalisation, Japanese companies had only a small number of expatriates and local employees working for them abroad. This explains why most Japanese MNCs lacked international management experience, and were thus less used to manage non-Japanese employees. Thus, they tend to rely more on Japanese expatriates to control their overseas operations.

Several factors have contributed to the slow internationalisation process of Japanese companies. Firstly, it is related to the cultural character of homogeneity among Japanese (Wilkins, 1993). Japanese MNCs were conservative and slow to react to unfamiliar situations in foreign operations. Even though they may have a long presence in foreign countries, the Japanese expatriate managers try to stay close together within the Japanese community and have minimal contact with the local host environment. Thus, this has hindered them from further internationalisation.

Secondly, the slow international process is related to the reluctant attitudes of both the government and the industry as a whole. From the mid-1940s to 1972, the Japanese government restricted FDI activities. This made many Japanese companies hesitant to invest overseas before the mid-1970s (Dunning, 1985). During the period from the mid-1970s to mid-1980s, Japanese companies only took a reactive approach to FDI to avoid pollution, sharp rise in wages in Japan, and the host countries' import substitution in the initial stage of internationalisation (Tokunaga, 1992; Ozawa, 1992). In brief, the factors leading to the slow internationalisation of Japanese MNCs are largely related to the unique characteristics of Japanese culture and economic environment.

6.5.2 Factors Leading to Polarisation between Japanese and Local Employees

Polarisation between Japanese and local employees can be traced to several Japanese cultural characteristics. Firstly, it is related to the Japanese MNCs' need for international management control which derives from the head office's desire to develop Japanese style management in foreign subsidiaries, and to circumvent the possibility of employees' uniting in their common interests at the expense of the management. Japanese MNCs employ expatriate staff in the internal labour market exclusively because by providing them the privileges associated with the security of the ILM, Japanese MNCs can make the Japanese expatriates more loyal to the management, and thus increase the potential for management control over the expatriates (Burnell, 1993; Sparrow and Hiltrop, 1994). It differs from the need of control by the American MNCs which aims mainly to achieve geocentric objectives (Hayashi, 1978; Hanami and Blanpain, 1993).

The second factor leading to the polarisation between Japanese and local staff is related to the Japanese national character of homogeneity. Japanese tend to dislike uncertainty (Hofstede, 1980). In order to lower the uncertainty in the overseas operation, Japanese MNCs employ a large number of Japanese male expatriates who are regarded as *uchi* (insiders). They are more or less homogeneous in attitude and behaviour, which means they are more predictable and less costly to control (Child, 1984; Robinson, 1985). Japanese expatriates are recruited and selected on the same criteria, and are trained and developed on the same career track like other core Japanese staff in the parent company. Since they have been under cultural control, e.g. by frequent job rotation, they are socialised into the corporate culture and corporate information network. In this way, they acquire the ability to understand top management objectives. This explains why only the male expatriates are entrusted to make consensus decisions in overseas operations because they are believed to be more predictable in behaviour and have commitment to corporate goals. On the contrary, Japanese companies do not trust local employees to be reliable and predictable since they have different cultural and work backgrounds from those of core employees in the parent company. Thus, the local employees are regarded as *soto* (outsiders). The distinction between *uchi-soto* (insiders-outsiders or Japanese-local employees) are obvious.

Thirdly, the polarisation between Japanese and local staff is related to the lifetime employment system practised by the parent company. Under the lifetime employment system, Japanese managers build up their credibility in the parent company through a total commitment to work for the company wholeheartedly from the beginning of their career. In return, they are protected within the internal labour market, and receive various benefits from the company. Therefore, they are reluctant to transfer any power and authority to the local employees (Robinson, 1985; Morris-Suzuki, 1992a and 1992b). Japanese companies assure the Japanese expatriates that the rules defining their rights in the internal labour market are governed by the national origins. Thus, local employees not only receive less pay, benefits and training, but also are excluded from communicating directly with the parent company, making decisions, performing functions of control and co-ordination with the parent company because they have neither formal positions in the organisational hierarchy of the parent company, comprehensive knowledge of the parent company, nor individuals' "credibility" which can only be gained from the lifetime employment system (Kopp, 1994a).

Fourthly, this polarisation is related to the high social consciousness among Japanese companies and various Japanese institutions such as the courts, government, and enterprise unions. They are socially embedded to protect employment security since Japan's traditional management system emphasises employment security (Morishima, 1995). In contrast, Japanese MNCs and institutions are less embedded in the host country because they only invest to gain comparative advantages outside their national boundary (Dunning, 1993a).

6.5.3 Factors Leading to the Under-utilisation of Female Employees

The Japanese companies tend to segregate female expatriates in the "diluted" internal labour market (ILM), local female professional managers in the "diluted" occupational labour market (OLM), and local female managers with low skills in the less favourable industrial/clerical labour market (ICLM). The under-utilisation of female employees in the four Japanese companies can be traced to the general social and workplace values and customs related to the Japanese culture.

Firstly, in general, Japanese have deep-rooted social values that men and women are not equal. The management of Japanese retail companies are influenced by the traditional culture of sexual division of labour – "women sell and men manage" – in the retail industry in Japan (Okada, 1988). Therefore, women are offered jobs in the clerical track with short and dead-end career ladder, less responsibities, and lower pay and benefit compared to their male counterparts. This explains why almost all female expatriates in this study are employed in the "diluted" ILM, and have to perform supporting roles to the male expatriates.

Secondly, the under-utilisation of female employees can be traced to the Japanese workplace customs. These customs include long working hours, intense involvement in extra-work activities, and *tsukiai* (socialising with co-workers outside working hours), total lifelong commitment, and career continuity. These customs form the basis of the male-model career culture in Japanese companies. If Japanese women want to pursue a career in the internal labour market, they have to conform to these customs (Kawashima, 1983; Lam, 1992).

However, Japanese female staff often find it difficult to conform to the male-model career culture because it is difficult for women to *tsukiai* when they are not expected to be permanent members of the company (Izumi, 1989). The exclusion from these activities from the beginning of their career puts women at a disadvantage, because they are regarded as less likely to comply with the male model of commitment and continuity (Yunker, 1990). This reinforces Japanese male managers to discriminate against female staff, since they believe that women are less capable of managing control and integration between the parent company and the overseas subsidiaries. Thus, Japanese female expatriates can only perform supporting roles - communication and coordination - to the Japanese male superiors.

The under-utilisation of local female employees can be attributable to the fact that many Japanese male managers still hold their gender-related social values when they work overseas. They have a preconception that female employees are more likely to be absent than men, and that women are more prone to physical problems, less willing to relocate in a career, less interested in a career, and more family-oriented (Yunker, 1990; Thome and McAuley, 1992). They cannot accept that female employees should be employed in responsible positions. This explains why local female staff in this study receive gender-based treatment during recruitment, selection, pay, training and job assignment.

6.5.4 Summary

It can be summarised that the Japanese companies have low internalisation of local managers and employees, Japanese management style focuses on control and centralisation around the Japanese expatriate managers. Although these cultural characteristics of Japanese employment practices have been documented in the existing literature, the cultural factors are regarded as the major explanation. Much literature looks at the Japanese employment systems overseas by dual labour market approach, and regards that Japanese expatriates and local employees exist in a dichotomy. The added insight of this research is that among the Japanese expatriates, female expatriates are employed in a diluted internal labour market because of the strong Japanese sex roles. This verifies that Japanese employment systems overseas is of structured nature.

6.6 LONG-TERM IMPLICATIONS OF THE CULTURAL FACTORS

The use of the above two structured employment features by the four Japanese companies has several implications for the long-term development of Japanese MNCs in international management.

Firstly, it implies that Japanese MNCs are less likely to integrate local managers into the global organisation, and are less effective in the utilisation of local human resources, compared with their Western counterparts. For example, as a result of being excluded from receiving strategic information from the parent company, local employees have a minimal knowledge of strategies, policies and culture employed by the parent company, which lowers their potential to contribute to the success of the MNCs.

Secondly, the purpose of the parent company of the four Japanese companies, like most retail companies, in investing in Hong Kong is to seek Hong Kong's markets and customers. However, customers have unique tastes and requirements which are influenced by their cultural and social values. In other words, the retail business is multi-domestic in nature. Since local managers are more knowledgeable about the local conditions than expatriate staff, they should have been given more power and responsibilities to operate the Hong Kong operations (Porter, 1986b; Boddewyn *et al.*, 1990; Holt, 1993).

Furthermore, the life cycle of the retail business has become shorter as a result of rapid changes in consumer preferences. Compared with Japanese expatriates, local managers are better informed about market changes originated from the local level, and have higher ability to observe the success and failure of specific merchandise strategies since they are at the closest proximity to the customers. Since local employees are a powerful factor in determining the long-term success of Japanese MNCs, the under-utilisation of local staff and polarisation between Japanese and local employees would imply that Japanese retail MNCs would have difficulty to catch up with the rapid changes in the local retail market, and this will have a negative impact on the long-term development of Japanese retail MNCs.

Thirdly, although the policy of relying on a large enclave of Japanese expatriates in operating overseas subsidiaries has certain advantages, it has become more difficult to sustain because of the following shortcomings. The costs to maintain Japanese expatriates overseas are increasing. It is no longer economical to employ a large number of expatriates in the increasingly competitive local retail market. In the long run, to keep a large number of Japanese expatriates overseas would increase the operating cost of Japanese MNCs, and thus decrease their profitability and competitiveness (Hendry, 1995).

Fourthly, since Japanese expatriates are characteristically closed and exclusive because they deal mainly with other Japanese (Yoshino, 1975), this has restricted their exposure to the business opportunities with local people. Moreover, the reliance of Japanese expatriates on decision-making in overseas subsidiaries has led to the weak linkage between short-term operational decisions and the strategic direction of the MNCs, because most Japanese expatriates often have less knowledge of the local business environment (Pucik, 1994). This could lead to poor performance in their overseas operations.

Fifthly, the use of the two structured employment features is likely to have negative impacts on the quality and job satisfaction of local employees. Owing to the labour shortage in the last decade, many local employees can easily job hop when they feel dissatisfied with their employment conditions in Japanese companies (Chau, 1993; Farh, *et al,* 1995). This can partly explain why Japanese companies experience increasing difficulty in recruiting and retaining competent and career-ambitious local employees. On the other hand, local employees who remain in the Japanese companies are mainly those with lower quality with less opportunities to job hop.

The problem of job dissatisfaction among local employees can be partly solved through labour turnover by those who are dissatisfied. However, under the recent economic downturn, the possibility of job hopping is getting more difficult. Dissatisfied local employees, especially female managers, have to stay with the company but work with low morale. The accumulation of demoralised local employees not only affects the morale of other local employees, but also undercuts the competitive advantages of Japanese MNCs. Both problems of poor quality and dissatisfied local employees could hinder the long-term development of Japanese MNCs.

6.7 CONCLUDING REMARKS

This chapter has conducted a two-way test to examine the structured employment systems adopted by the four Japanese companies by two sets of empirical data from the British case company, and existing studies of Japanese international management and comparative studies between Japanese and American/ European MNCs. The results confirm that the four Japanese companies have more structured employment systems, and tend to use a more ethnocentric management approach than their Western counterparts. This chapter has identified two structured employment features - polarisation between expatriates and local employees, and under-utilisation of female employees – as outstanding employment characteristics of Japanese MNCs. Such features are less observable in the British case company in Hong Kong. The development of these two features can be traced to the characteristics of Japanese national culture (including its employment culture), rather than because Japanese MNCs were late-developers in multinationalisation.

However, the finding that the British company does not show any sign of polarisation between professional and non-professional staff can largely be attributable to Co.E's policy of making all managers generalists rather than specialists. This policy adopted by Co.E is considered as not typical for the Western retail MNCs. Furthermore, the existing literature has not addressed the factors leading to the polarisation between local professional staff and local staff with low skills that exist in two Japanese case companies - Co.B and Co.C. It appears that this feature is more related to environmental, sectoral and technological factors. These factors will be examined in the next chapter by detailed case studies of Co.A and Co.B.

CHAPTER SEVEN

STRUCTURED EMPLOYMENT SYSTEMS: CONTEXTUAL, SECTORAL AND TECHNOLOGICAL FACTORS

7.1 INTRODUCTION

This chapter continues to address the last research question to examine factors, other than the cultural factors, which have contributed to the development of structured employment systems in the four Japanese department store companies in Hong Kong. Two of the structured employment features – polarisation between Japanese and local employees, and under-utilisation of female staff – have been traced to the cultural characteristics of Japanese MNCs. However, it is believed that these two employment features can also be traced to other factors related to the contextual aspects of the company, and the sectoral/technological aspects of the retail industry. Furthermore, two other features – polarisation between local professional staff and local staff with low skills, and casualisation of local employees with low skills – were not identified and explained in the existing Japanese international management studies. It appears that they are more related to the contextual factors of the company, and the sectoral/technological factors of the retail industry. Therefore, the examination of the structured employment features in this chapter focuses on these two perspectives.

According to Hendry (1995), the development of structured employment systems can be traced to external factors which can either be controlled or cannot be controlled by the company. This chapter examines these factors from the contextual perspectives of the company – background, history, competitive environment, and business strategy; and the sectoral/technological perspectives of the retail industry. Companies can adjust the factors - such as business and employment strategies – which they can control. However, companies are subject to many factors – such as the company's history, background, and competitive environment – which they cannot control. The four Japanese companies employ different types of business and employment strategies to adjust the factors they can control under the constraints of the factors which they have little control of. They aim to minimise costs, maximise predictability and increase flexibility (Hendry, 1995).

Chapters Four and Five have broadly categorised the employment systems of the four Japanese case companies into two types. The first type belongs to the employment systems of Co.A and Co.D which shows a distinct polarisation between Japanese and local employees. The second type belongs to the employment systems of Co.B and Co.C which shows a distinct polarisation between local professional staff and local staff with low skills. In order to examine how these two types of company adjust to their business and employment strategies under the company's history, background and competitive environment, this chapter conducts in-depth case studies of Co.A and Co.B which represent the first and second type of employment system respectively. It draws mainly on secondary data from Co.A and Co.B's archival materials for triangulating the primary data of intensive interviews and observation discussed in Chapters Four and Five.

Sections 7.2 and 7.3 study the employment strategy of Co.A and Co.B respectively in relation to the contextual factors of the company – history and background, competitive environment and business strategy. Co.B's use of retail technology is outlined in Section 7.3.3 because it is one of the crucial factors leading to the employment of the particular type of structured employment systems with a distinct polarisation between local professional and other local staff. Section 7.4 examines the sectoral characteristics of the retail industry which have contributed to the employment of the structured employment systems by the four Japanese case companies. Section 7.5 accesses the long-term implications of the employment strategy related to the contextual, sectoral and technological aspects of the four Japanese retail MNCs.

7.2 COMPANY A

The findings of the employment characteristics show that a total of five employee groups can be identified in Co.A. These are:

1. Japanese male expatriates employed in the internal labour market (ILM),
2. female expatriates employed in the "diluted" ILM,
3. local employees with low skills employed in the industrial/clerical labour market (ICLM), while female employees in this group are treated on a gender basis,
4. local part-time employees employed in the external labour market (ELM), and
5. consignment staff employed in the ELM.

Furthermore, Co.A's employment systems show three structured employment features – polarisation between Japanese and local employees, casualisation of local employees with low skills, and under-utilisation of female employees.

The factors contributing to Co.A's employment strategy in the use of the first type of structured employment system are studied in relation to Co.A's contextual factors - history, and background, competitive environment and business strategy.

7.2.1 Employment Strategy Related to Background and History

The development of polarisation between Japanese and local employees can be traced back to the history of Co.A's parent company. The parent company was set up in 1961 when the founder-cum-chairman, Mr. Wada, took over the business of a small local grocery store from his parents. He established the company in Atami, a local town of Shizuoka in Japan in 1962. During the 1960s, many large retail chain stores, such as Seiyu and Daiei, expanded into local towns including Atami. In order to survive in this competitive domestic environment, Wada established two company policies. Firstly, Wada concentrated on overseas investment in order to avoid being taken over by the bigger companies in Japan. He made the first overseas investment in Brazil in 1970. However, the Brazilian venture was closed in 1977. The failure of his first overseas operation had affected Wada's approach in international management. Wada became more cautious, and tended to rely more on Japanese male expatriates to run and control overseas operations (Wada, 1989). This explains why Co.A employs more Japanese expatriates than other Japanese case companies.

Furthermore, the policy of placing overseas investment before domestic development in Japan meant that overseas operations had higher strategic importance than the domestic operation in Japan. Its operation in Japan only ranked 58th in terms of annual sales turnover among the retail companies in Japan in 1988 (Nikkei Ryutsu News, 1989). On the other hand, the overseas operations accounted for a major source of profit for the parent company. The Hong Kong operation (Co.A) became one of the most important operations which ranked first among all department store companies in Hong Kong in 1994 in terms of annual sales turnover (Retail Association, 1995).

Accompanying the increasing importance of Co.A, Wada devised two strategies which have had impacts on the employment system. Firstly, he moved the parent company from Japan to Hong Kong in 1989. This has made it easier for the Japanese managers of the parent company to control Co.A directly, because the physical distance between the parent company and Co.A has been greatly reduced.

Secondly, Wada decided to choose and train Japanese expatriate managers by himself to operate Co.A. Wada explained, "These Japanese expatriate managers hand-picked and trained by me will become the top managers of Co.A because they understand better about what I want in terms of ensuring success in our business" (Wada, 1992). This implies that Wada would like to tighten up his personal control of Co.A through his hand-picked Japanese managers. As a whole, the above explains why Co.A adopts a more ethnocentric management approach, and polarisation between Japanese and local employees persists, despite its local head office presence.

Nevertheless, Co.A's policy of staffing a large number of Japanese male expatriates encountered a minor problem. Its rapid overseas expansion had exhausted the parent company's manager pool for overseas assignment during the early 1990s. Co.A therefore turned to recruit and train local graduate trainees to fill the middle managerial positions. Since the graduate trainees are managed by the core recruitment, selection, and training practices, they are considered as a separate employee group (see Chapter Four). However, after their graduate training, graduate trainees are employed on the same conditions as the local employees with low skills.

Another strategy devised by Wada when he took over the business of the parent company from his parents was the establishment of the corporate philosophy called "company declaration" in 1965. The company declaration has become the basis upon which Co.A's business and employment strategies are developed. The content of the declaration is:

> By studying and practising the "truth of life philosophies",
> the [Co.A] Group of companies strive to create a company
> which will render better service to people all over the world,
> and in so doing, hopes to become a model for other companies.

From the declaration, it can be observed that Wada's objective is to become a global model for other retail MNCs. Wada is very devoted to his religion - *seicho-no-ie* (House of Growth). He incorporated the basic principles of *seicho-no-ie* – the "truth of life philosophies" – into his company declaration. Wada's religious background has greatly influenced Co.A's employment strategy in relation to the provision of a core employment strategy – spiritual generalist training – to local employees. In the spiritual training, Japanese instructors employ *seicho-no-ie* and the "truth of life philosophies" as the major training tools (Wong, 1994). Wada's main purpose in using this training practice is to spread his religion among the local staff. By practising spiritual training, Co.A receives training subsidies from the *Seicho-no-ie* Association.

Although Co.A adopts various core training practices, such as graduate and spiritual training, the objective in adopting these core training practices is not to incorporate local employees into the core career of the global organisation of the parent company. Therefore, these core training practices have not diminished the feature of polarisation between Japanese and local staff in Co.A.

7.2.2 Employment Strategy Related to Competitive Environment and Business Strategy

Retail companies are highly sensitive to the retail environment, especially in relation to the labour market, and the general state of the local economy. Due to the labour-intensive nature of the retail industry, labour costs represent more than 50 percent of the operating expenses of retail companies (Lusch and Dunne, 1993). Thus, many retail companies try to devise business and employment strategies to minimise their labour costs. Co.A uses several structured employment strategies to minimise its labour costs.

Firstly, Hong Kong experienced a severe labour shortage during the 1980s. This coincided with the rapid expansion policy adopted by Co.A in Hong Kong which demanded a large amount of labour from the local labour market. However, the severe labour shortage in Hong Kong had pushed up overall labour costs. For example, the average monthly basic salary for female sales staff increased 35 percent from HK$4,000 in 1989 to HK$5,400 in 1993 (Census & Statistics Department, 1993a). In other words, Co.A's expansion would have meant a large bill in labour costs. In order to expand in Hong Kong without increasing its direct labour costs excessively, Co.A pursued an active consignment-based operation policy[1] by increasing the consignment area to an average of 70 percent of its total sales floor area in 1989, and over 80 percent in 1995. This policy led to a change of Co.A's employment strategy as it was using an increasing number of consignment staff. Although the consignment staff perform the same kind of jobs as the full-time local staff with low skills, they are employed outside the company, and thus provide cost advantages to Co.A. Co.A can save the expenses of recruitment,

[1] Department store company lets part of its sales floor as consignment counters to outside companies. Based on the consignment agreement, the consignment companies have to pay a percentage of profits from the sales of products or services to the department store company.

selection, pay and benefits since the consignment staff are officially employed by the consignment companies. Co.A thus could increase its financial flexibility and limit its susceptibility to the changing labour market. As a result, since the early 1990s, consignment staff have accounted for over half its total workforce, and Co.A's employment system has become more stratified.

A second environmental factor is the general state of the local economy which is normally reflected in the inflation rate, property rental rate and interest rate. It affects retail companies' projected growth in sales volume, and indirectly affects Co.A's use of retail technology. Co.A expanded in Hong Kong rapidly during Hong Kong's economic upturn period in the 1980s which had turned out to be highly successful. For example, Co.A improved its corporate performance and market position between 1992 and 1994 as a result of an increase in both sales turnover from HK$2.21 to HK$3.93 billion, and operating profit from HK$49 to 54 million (Table 7.1).

Table 7.1 Annual sales and profit/loss (in million HK$) of Co.A and Co.B

	Company A		Company B	
Year	Sales	Profits (loss)	Sales	Profits
1992	2,210	49	1,140	35
1994	3,930	54	1,420	56
1996	3,640	(-168)	1,580	75

Source: Extracted from the annual reports of Co.A and Co.B (1992/93), (1994/95) and (1995/96).

As a result of this success, Wada pursued a more rapid expansion in Hong Kong in the early 1990s by resorting to more bank loans to finance its expansion. The interest paid for the bank loans accounted for a high proportion of Co.A's overall operating costs. However, bank interest rate varies according to the state of economy. During the period of 1994 and 1995, the interest rate was increased sharply as a result of a world-wide economic slowdown, which pushed up Co.A's interest payments. Furthermore, the world-wide economic slowdown also caused a sluggish growth in the local consumer market[2], and this affected Co.A's business in terms of declining sales turnover. Co.A's sales turnover decreased from HK$3.93 to HK$3.64 billion from 1994 to 1996. This problem of declining business was aggravated by the over-borrowing policy of Co.A. Its diminishing profits were further offset by the higher costs of paying

[2] In 1994 and 1995, overall sales in department stores recorded a 7.4 percent decrease. Unemployment rate increased to 3.3 percent in January 1996, whilst inflation rate maintained at 9 percent. General public became more cautious in consumption. Furthermore, renting costs increased rapidly of over 10 percent between the first and the fourth quarter of 1995 (Census and Statistics Department, 1995).

interest on its bank loan (South China Morning Post, 1996b). This resulted in a drop of its operating profit from HK$54 to an operating loss of HK$168 million from 1994 to 1996 (Table 7.1).

Co.A has had to adjust its business and employment strategies to cope with this declining business profitability and increasing debts. The management of Co.A decided not to introduce any retail technology. Co.A's strategy in the use of retail technology is mainly affected by its lack of funds. Even during its business boom period in the 1980s and early 1990s, Co.A did not have enough capital to invest in technology, because management's priority was in store expansion. Since 1995, the problem of insufficient funds has become more severe as a result of declining business profitability. This has made management even more unwilling to introduce retail sales technology because of the high initial investment costs required. The Japanese managing director of Co.A said, "We know that the installation cost of the retail sales technology in all our 11 store outlets will be very high. We are afraid if we borrow more bank loans for the technology, it would further deteriorate our balance sheet." As a result of the non-adoption of retail technology, Co.A does not employ any staff to perform any technology related jobs requiring professional skills. Thus, Co.A does not employ any local professional staff who in Co.B and Co.C have more privileged employment conditions than local staff with low skills.

The second strategy to cope with the declining business is that Co.A adopted some core employment practices – job rotation and cross-functional job assignment – among local employees. Like most Japanese overseas companies, Co.A wanted to maintain its parent company's benevolent image, and tried not to lay off any local staff. However, this no lay-off policy meant that the less competent local staff could stay with the company which would increase the cost rigidity of the company. Originally, both of the core practices were used to cope with the fluctuating consumer demand during busy retail seasons. However, since Co.A encountered financial problems, the management has used these practices to get rid of incompetent and unwanted local staff who are either rotated to departments they do not want to go to, or are assigned to jobs which they do not want to perform. As a result, Co.A can increase its flexibility, and lower its labour costs. Thus, although Co.A applies the core practices to local staff, polarisation between Japanese and local staff persists.

The combination of the two environmental factors - a competitive (and then depressed) local economy and tight labour market - also led to Co.A's increasing use of part-time staff. In 1989, part-time employment accounted for less than 10 percent of

Co.A's total labour force. However, the part-time employment had increased to 30 percent in 1994, and 50 percent in 1996. The rapid increase of part-time employment between 1994 and 1996 was related to Co.A's purpose of lowering labour costs as a result of its serious financial deficit incurred since 1995. A senior Japanese executive said that Co.A uses part-time staff mainly during the off-peak period during the week. In this way, the company can implement a "three day policy" in which full-time sales staff can take three days off during the week to minimise personnel costs. The increasing use of both consignment and part-time staff means that Co.A has casualised the local staff with low skills.

7.2.3 Summary of Contextual Factors Affecting Co.A's Employment System

The case study reveals that Co.A's structured employment system was in the main influenced by three of the company's contextual factors. Namely, the history of an unsuccessful experience in overseas investment, the environmental factors of high labour costs and declining consumer market, and the lack of capital funds. In brief, Co.A adjusts the factors which can be controlled (for example, introducing a consignment policy and non-adoption of retail technology) to manage the external competitive environment of labour shortage, increasing labour costs and lack of funds, which cannot be controlled. This explains why Co.A has adopted the first type of structured employment system.

7.3 COMPANY B

The findings relating to the employment characteristics show that a total of six employee groups can be identified in Co.B. They include:

1. Japanese male expatriates employed in the ILM,
2. local professional staff employed in the OLM, female employees in this group are treated on a gender basis,
3. local employees with low skills employed in the ICLM, female employees in this group are treated on a gender basis,
4. local part-time employees employed in the ELM,
5. a limited number of consignment staff employed in the ELM, and
6. Japanese female expatriates.

The Japanese female expatriates should be accounted for although this group appeared not to exist at the time of the fieldwork between 1995 and 1996. Evidence shows that Co.B used to employ female expatriates. The Japanese personnel manager of Co.B said, "Six female expatriates had worked for Co.B before, and the parent company will assign more female expatriates to come to work [in Co.B] in the near future." When asked under what capacity the female expatriates were employed, the personnel manager said that they were employed to perform coordination work between the parent company and the Hong Kong operation, and were managed under similar HRM and organisational practices like that of Co.A and Co.C. Therefore, the female expatriates of Co.B were employed in the "diluted" ILM.

Co.B's employment system demonstrates four structured employment features - polarisation between Japanese and local employees, polarisation between local professional staff and local staff with low skills, casualisation of local employees with low skills, and under-utilisation of female employees. The factors contributing to Co.B's employment strategy of using the second type of structured employment systems are studied in relation to the company's specific contextual factors. In addition, Co.B's employment strategies are also examined against the technological characteristics of the retail industry as a result of the introduction of retail technology in the company. This helps to distinguish the characteristics of Co.B's employment system from that of Co.A.

7.3.1 Employment Strategy Related to Background and History

Unlike the parent company of Co.A which tried to invest overseas to avoid losing its original company identity, the parent company of Co.B determined to develop the domestic market in Japan by amalgamating three small provincial chain stores in Western Japan in 1969. The purpose of the amalgamation was to strengthen the company's position as a large chain store in order to compete in the domestic retail market in Japan. The parent company has been maintaining its third position in terms of sales turnover among all retail companies in Japan since the early 1980s (Nikkei Ryutsu News, 1989). Its effort in the domestic retail business in Japan explains why Co.B was not set up in Hong Kong until 1985, and its moderate overseas expansion policy (Anonymous, 1994). It had only opened four branch stores in 8 years by the mid-1995.

Co.B employs a lower percentage of Japanese expatriates than Co.A. In 1996, there were only 10 (1 percent) Japanese working in both head office and four store outlets, occupying 28.5 percent of the 35 senior managerial positions. However, notwithstanding the lower presence of Japanese expatriates, Co.B still relies exclusively on its male expatriates to perform the international management functions of controlling, integrating, communicating, coordinating and decision-making roles, in the same way as Co.A. Thus, polarisation between Japanese local employees persistes in Co.B.

The management has been working hard to implement retail technology - the electronic point of sales (EPOS) system – ever since Co.B has operated in Hong Kong. On the 20th anniversary of its parent company being found, Co.B set up three establishments – head office, buying office and delivery centre – in 1989 to facilitate the implementation of the company-wide EPOS system (Anonymous, 1990). In 1994, the EPOS system was installed and implemented (Annual Report, 1995/96). This background of Co.B's emphasis on using retail technology in Hong Kong explains why it employs more local professional staff.

7.3.2 Employment Strategy Related to Competitive Environment and Business Strategy

Since both Co.A and Co.B operate in the same type of retailing – general merchandising – and their store outlets are located in similar areas of new towns, they face a similar economic and labour market environment in Hong Kong. That is, like Co.A, Co.B also encountered the problems of rising labour costs, sluggish growth in local consumption, and declining profitability in the retail market between 1995 and 1996. Nevertheless, under these adverse environmental conditions, Co.B continued to improve its corporate performance and market position. During the years of 1992, 1994 and 1996, Co.B's sales turnover increased from HK$1.14 billion to HK$1.42 billion to HK$1.58 billion. Its operating profit also increased from HK$35 million, HK$56 million to HK$75 million (Table 7.1). This is mainly attributable to Co.B's business strategy of a moderate expansion policy. Furthermore, Co.B took a more cautious approach to using borrowed capital for investment, and relied mainly on self-financing by ploughing back its profits (Internal document, 1988).

Secondly, like Co.A, Co.B also shows an increasing trend of employing more part-time staff as a result of the rising labour costs in Hong Kong. In 1995, Co.B introduced the employment strategy called the "man-hour policy". The policy aims to adjust the total number of working hours, rather than the number of staff, according to sales volume and staff workload. Thus, Co.B increases the part-time employment to make up the working hours. Before the implementation of the "man-hour policy", three-quarters of its sales and supervisory grade staff were employed on a full-time basis, accounting for a large portion of the payroll (Annual Report, 1994/95). In less than a year since its implementation, Co.B had saved HK$4 million in labour costs (Ming Pao Daily, 1995). This has greatly enhanced Co.B's competitiveness in the local retail market, and its flexibility to adjust the employment level to fluctuating customer demands. This explains why Co.B has a more active employment policy to retain and motivate part-time staff through the provision of irregular bonus and fringe benefits than other Japanese case companies. Unlike Co.A which casualises employment more by the use of consignment staff, Co.B tends to casualise more by the use of part-timers.

Thirdly, Co.B has an employment policy of using the least amount of consignment staff among the four Japanese companies. Consignment staff accounted for less than 10 percent of Co.B's total number of employment in 1996. This has contributed to Co.B's direct sales business strategy. The Japanese managing director of Co.B said,

> We operate in a high direct sales ratio of over 80 percent of our total sales floor area. We believe that our image can be enhanced as a "true" retailer, rather than a landlord letting sales floor space for making quick money. Furthermore, it is easier for us to maintain the performance standard of sales staff when they are directly employed by our company.

This explains why Co.B has a larger number of direct employment than that of Co.A. Co.B employed over 1,000 employees in 1995 for operating the head office and four store outlets (Anonymous, 1995b). On the other hand, Co.A employed only about 2,000 staff in the same year for operating its head office and 11 store outlets.

Fourthly, although to a large extent the polarisation between local professional staff and local staff with low skills can be explained in relation to the sectoral/technological factor, it is also attributable to Co.B's international business and management strategy. The Japanese management of Co.B, like that of other Japanese overseas subsidiaries, follows a cost-minimisation strategy to manage the local work-force (Dedoussis and Littler, 1994). Co.B tends to recruit and employ its local professional staff from the external labour market who have professional knowledge and expertise in the technology. This differs from the employment strategy of the British case company which trains up its local staff to take up professional jobs from scratch. In order to retain local professional staff in the company, Co.B employs them in more favourable conditions than the local employees with low skills.

7.3.3 Employment Strategy Related to the Use of Retail Technology

Among the above contextual factors, the factor related to the use of retail technology has several major impacts on the employment systems of both Co.B and Co.C. This sectoral/technological factor has, in the main, contributed to the polarisation between local professional staff and local staff with low skills. Furthermore, it has also caused the casualisation of local staff with low skills. These employment features, developed as a result of the use of retail technology, are examined with specific relation to Co.B's operation.

The first impact is that the introduction of retail technology has led to the polarisation between local professional staff and local staff with low skills. In order to implement the EPOS system, Co.B employs many local professional staff in the administrative departments of EDP, inventory control and delivery, finance and accounting, marketing, sales promotion and personnel management. According to the document of Co.B's new issue and offer for sale in 1994, all the six local professional managers heading these departments were included as the members of senior management (Anonymous, 1994). However, only four local managers working in the operations departments (local managers with low skills) were considered members of senior management. Furthermore, these local managers had worked for Co.B for at least an average of 7 years. On the other hand, the local professional managers had only worked for an average of 3 years. In other words, the local managers with low skills were mainly considered as members of senior management by their seniority, whereas the local professional managers were considered as members of senior management by their skills/professions.

In addition, evidence shows that local professional managers are recruited and selected by a higher-cost practice, receive more pay, benefits and training opportunities. They are exempted from performing cross-functional jobs, and have more access to information about decisions. As a whole, they have better working condition than local employees with low skills. This can be attributed to two factors.

From the management's point of view, acquisition of new skills from the local professional staff who have the knowledge in the EPOS system and expertise in analysing data generated from the system, has become the underlying imperative because the company's skill requirements have become more professional-based as a result of the introduction of the retail technology (Sparrow and Pettigrew, 1988; Sparrow, 1988a, 1988b and 1988c). However, the supply of professional staff with qualifications was insufficient in the labour market as a result of the problem of the brain drain in Hong Kong during the 1980s. Co.B experienced a "skill gap" in the professional positions, and had to adjust its employment strategies to overcome this gap. This explains why Co.B employs a positive skill supply strategy by offering local professional staff better employment conditions in pay and training opportunities and specialised job assignments, compared with other local staff with low skills (Sparrow and Pettigrew, 1988) This aims to attract and limit attrition of local professional staff, and make them more committed to the company, because the company depends on these local professional staff to implement the EPOS system. The management was afraid that the company's ownership-specific advantages, derived from the EPOS technology, would dissipate to its competitors through the turnover of its professional staff.

The second major impact of EPOS is the deskilling effect on the local staff with low skills resulting from the introduction of EPOS system. This varies according to their functional responsibilities and hierarchical levels. It has contributed to the polarisation between the local professional staff and local staff with low skills. Local staff employed in the higher hierarchical levels, such as store managers and buying managers, have to perform more simple jobs as a result of being deskilled. They are only responsible for jobs such as maintaining the tidiness of their stores, handing out work schedules received from the head office to their staff at the store level, and communicating the necessary trading information to the head office for stock control and auditing purposes. Many of their former duties which required skills are now performed through the centralised EPOS system by either Japanese managers or local professional staff at the head office.

Local staff employed in the lower hierarchical levels, such as sales and cashier staff, have also been deskilled. The EPOS system has made their skills more uniform. As a result, the sales and cashier jobs can be taken up by part-time employees who can learn these skills within a relatively short time. This has created a major shift in requirements for local staff with low skills from a full-time to a part-time basis (Sparrow and Pettigrew, 1988). This has enabled Co.B to implement a "man-hour policy" which employs more part-time employees from the external labour market. Thus, the use of the EPOS system has facilitated casualisation of the local full-time staff with low skills employed in the sales and cashier level.

In contrast with these effects, the use of retail technology seems to have had less effect on diminishing Co.B's use of an ethnocentric management strategy although polarisation between Japanese and local staff has been blurred in Co.B and Co.C as a result of the better employment conditions enjoyed by the local professional staff. This is because of the local professional managers only account for a limited number of local employees (about 1 percent of the total number of Co.B's employees), and local professional staff are still actively excluded from being employed in the internal labour market. This minimal internalisation of local staff explains why the polarisation between Japanese and local staff persists in Co.B

Ironically, in fact, Co.B's use of an ethnocentric management approach has been reinforced by the effect of retail technology. On the surface, Co.B is less ethnocentric, as it employs fewer Japanese expatriates than Co.A. It has promoted more local managers to the senior managerial positions, (e.g. the four store manager positions which used to be occupied by Japanese expatriates). Nevertheless, the local store managers do not have the same amount of power as their Japanese predecessors. The power of these store managers has largely been reduced and controlled by the data generated from the EPOS system (for instance, their power to recruit sales staff in their own stores has been centralised by the EPOS system in the head office).

7.3.4 Summary of Contextual Factors Affecting Co.B's Employment System

The case study of Co.B reveals that the company's competitive environment, business strategy and sectoral/technological factors impinge on its employment system in three major ways, through its policy of incremental expansion, direct sales approach, and use of retail technology. In brief, Co.B adjusts those business and employment strategies which can be controlled (for example, employing part-timers and retail sales technology) to manage the external competitive environment of labour shortage and increasing labour costs which cannot be controlled. Since Co.B's approach to manage the external environment varies from that of Co.A, it possesses an additional employment feature – polarisation between local professional and other local staff.

7.4 SECTORAL FACTORS

Apart from the contextual factors of the company, the use of the structured employment system can also be traced to the sectoral/technological characteristics of the retail industry. These sectoral/technological factors can further explain why the retail companies have a higher tendency to employ structured employment systems.

The first characteristic is that of high cost and low profits in retailing which means many retail companies have to operate close to the break-even point (Golden and

Zimmerman, 1986). This sectoral characteristic has made the four Japanese and the British companies use various employment strategies to adjust the number and type of employees so as to handle the potential sales volume at a profit. One of the employment strategies is that local managers are given less clearly-defined job descriptions, and assigned to perform cross-functional jobs. This is related to the sectoral characteristics of fluctuating seasonal and daily customer demands in the retail industry. The retail environment imposes an irregular flow of work in different seasons and times of the day. Unlike a factory, the work flow of the retail companies cannot be regulated by shifting it from one department to another, or by overtime work to cope with a rush. This is because customers demand to be served when and where they present themselves (Hendry, 1990). To compensate for the inability to smooth out the workload fluctuation, managers are usually assigned cross-functional jobs.

Secondly, the sectoral characteristic of workload fluctuation has also led to the increasing casualisation of full-time employees by the use of part-time staff. The increasing use of part-timers is also related to their cost and productivity advantages. Compared to the full-time workforce, part-time staff have more flexibility to adjust to the seasonal fluctuation in demands. Their number can be adjusted more easily to make a closer match of staff hours to weekly and daily patterns of trade. Moreover, they can perform the "shock absorber" function to accommodate the fluctuating demand and maintain flexibility of the retail industry (Maguire, 1991). They not only incur lower costs of recruitment, selection, pay and benefits as compared to full-time employees, but also have higher productivity since they work for only a few hours a day. In brief, they increase the company's numerical flexibility.

The third sectoral characteristic is that of the gender-related employment practices which has made retail companies use structured employment systems. The lower-level sales female staff tend to be trapped in the bottom of the retail occupational ladder, and find it difficult to move up the career ladder in retailing (Brockbank and Airey, 1994). This can largely be attributable to the retail revolution which occurred when "self-service" selling was introduced in the 1940s. Retail jobs – especially the lower-level sales jobs – have been deskilled and specialised (Maguire, 1991). Thus, female sales staff find it difficult to move either horizontally to other departments, or vertically to higher positions. It is particularly difficult for those sales staff who work their way up by accumulating experience from the junior positions, because the skills acquired through experience are not usually transferable to other departments. Furthermore, the more specialised the staff's work is, the more difficult it is for them to receive training in other retail functions. This explains why the local female sales staff of the four Japanese companies experience gender-based treatment in training.

Fourthly, the factors leading to the use of an ethnocentric management approach by the four Japanese companies may also be related to the sectoral characteristic of the low wage scales in the middle managerial positions. Since the four Japanese companies cannot attract competent local staff to work in these positions, this has contributed to the severe management deficiencies among local managers. This in turn has caused the Japanese management to distrust local staff in running their overseas operation, and to rely more on Japanese expatriates.

Fifthly, since the retail business is a customer-oriented service-based operation which has traditionally had a large labour component, the management needs to place a significant degree of standardisation in the decision making process. This, in reality, takes away the decision-making responsibility from the local middle managers with low skills. Alternatively, because of the limited size of store operation, top Japanese management in the head office is able to constantly be in contact with the operational side of the business, and make the necessary decisions.

In brief, the above sectoral characteristics of the retail industry may also have contributed to the structured employment characteristics of the Japanese case companies.

7.5 LONG-TERM IMPLICATIONS OF THE SECTORAL AND TECHNOLOGICAL FACTORS

While the above has accounted for the development of structured employment systems to date in the case companies, this section traces the possible long-term implications of the sectoral/technological factors for the development of Japanese retail MNCs in international management.

Firstly, the introduction of retail sales technology has induced several changes in the labour market within Co.B and Co.C. As a result of deskilling, the Japanese companies merely seek local employees with low skills to perform more cross-functional jobs, which is one of the major sources of their job dissatisfaction. Moreover, they are less likely to have organisational recognition of their need for career planning, and are more likely to be subjected to job insecurity during economic hard times. As a result, local employees with low skills have little loyalty to the Japanese employers, and a higher attrition rate. The high attrition, in turn, increases the indirect costs of their employment, and makes the Japanese more reluctant to train them.

Furthermore, the use of retail technology has caused Japanese management to centralise control through monitoring the company's data. The EPOS system originally increased information processing capabilities, and extended the access to information to many levels of the organisation, by facilitating rapid inputting, processing and dissemination of information to all employees who have a password to the system. Ideally, this increases the possibility of delegation. However, rather than using this technology to this end, management has extended centralised control over ordering decisions, stocking level decisions, size of labour establishment and in-store performance (Child, 1984). Thus, the use of retail technology has increased technical control by the management from the head office. As a result, polarisation between Japanese and local staff persists.

Secondly, market pressures and commercial considerations have triggered the positive utilisation of local professional staff by Co.B and Co.C. However, the local professional staff are neither regarded as the equals to, nor can they replace the Japanese male expatriates. They are restricted to certain sections or departments, and to a limited number of local employment opportunities in the occupational labour market, rather than opportunities on a company-wide basis. The use of retail technology has not caused Japanese MNCs to introduce fundamental reforms in the employment and management systems. Co.B and Co.C have neither sought to change the nature of the rules governing job assignment, promotion and career structure in the core employment system, nor the nature of employment relationships underlying local employees' disadvantaged positions. On the whole, the majority of local employees are still under-utilised. This can be illustrated in Co.B and Co.C's localisation policy. Although both companies have reduced the number of Japanese expatriates, they have not changed their ethnocentric orientation because the management is only concerned with "localisation" rather than "equal employment opportunity". In "localisation", Co.B and Co.C merely employ more local employees at the higher positions, without giving them any real power in making decisions. Japanese expatriates still dominate communication with the parent company and the power of final decision-making. Thus, the majority of the local employees are still segregated in jobs with no real power and authority. As a result, internalisation of local staff in Co.B and Co.C is still very limited.

Co.B and Co.C have sought to use local professional staff to implement retail technology to overcome skill shortages without altering the fundamental organisational rules and procedures, and employment systems. It implies that they have a limited development in international management towards a more globalised approach of providing more equality between expatriates and local employees. The problems related to the ethnocentric management approach such as high job dissatisfaction, low morale and motivation, and high attrition among local staff remain in these companies.

Nevertheless, notwithstanding the above negative impacts of excluding local and female employees from the internal labour market (ILM) of the global organisation and their under-utilisation, many Japanese MNCs encounter a common dilemma when they consider opening up core career jobs to local employees. Two types of structural barriers can be identified in the employment systems of Japanese MNCs. The first type of barrier is related to the importance Japanese MNCs attach to the lifetime employment system. In this system, the core group of male Japanese employees are governed by a set of rules and practices which stress lifelong commitment, long-term career advancement, a requirement of total devotion to the company by working long hours, and a willingness to be geographically mobile at the request of the company. Thus, if the local and female employees want to be included in the ILM of the global organisation, they need to conform to these work customs. However, such a career structure and work norm seem to be difficult for local employees to accept.

The second structural barrier leading to the dilemma is that getting rid of the glass ceiling, promoting local employees to top managerial positions with power and authority, and offering them core career jobs would imply a re-distribution, or even upsetting, of power and authority between Japanese and local employees. For example, if local managers were recruited or promoted on the criterion of ability to the top position, this would disrupt the long-service promotion expectations of the Japanese core male employees. The customary seniority-based pay and promotion expectation has been the major force generating high commitment, high output effort, and willingness to co-operate in furthering the aims of the company. The benefits that management derives from the lifetime employment practice are considerable. If Japanese MNCs gave it up, it might jeopardise their ability to attract good quality Japanese male graduates into the company. Therefore, the extent to which Japanese MNCs are willing to open up core career jobs to local employees depends on how they can overcome these two major structural barriers related to the lifetime employment system. This system is constrained by strong employment security expected among the Japanese, which is in turn supported by the legal framework, management values, and government policy.

The central issue for the long-term development of Japanese MNCs is to find the best fit between the firms' external environment, the overall strategy, and HRM policy and implementation, rather than identifying the best international HRM policy per se (Adler and Ghador, 1990). In other words, although the structured employment systems may not be the best system, Japanese MNCs may need to continue to employ the systems until they find better solutions to overcome the structural barriers existing in their employment systems.

7.6 CONCLUDING REMARKS

In this chapter, the employment strategies of the two case companies – Co.A and Co.B – have been examined in relation to the company's contextual factors, and the industry's sectoral/technological factors. The major differences in background and history, competitive environment, business and employment strategy between Co.A and Co.B are summarised in Table 7.2.

Table 7.2 Major differences in contextual factors between Co.A and Co.B

	Co.A	Co.B
History and background	-Small-sized HQ -Failed in first FDI -Strong religious chairman	-Large-sized HQ -Pioneer in developing retail technology in Japan
Employment strategies related to environment	-Non-adoption of EPOS system	-Use of EPOS system
Business strategy	-Rapid FDI expansion -Consignment policy -HQ in HK	-Moderate FDI expansion -Direct sales policy -HQ in Japan -Man-hour policy

Source: Summarised from the analysis of the interview and secondary data.

The two companies have different backgrounds and history. The parent company of Co.A is small, and pursued a rapid overseas expansion; while the parent company of Co.B is large, and pursued a moderate overseas expansion. Co.A relied on bank loans to expand, while Co.B relied on its own capital to expand. The emphasis on a rapid overseas expansion by Co.A has led to its lack of funds to invest in retail technology. On the other hand, the emphasis on development of retail technology by Co.B, and its moderate pace of expansion mean that Co.B uses retail technology actively.

Furthermore, Co.A operates the store mainly through consignment sales, while Co.B operates through direct sales. As a result, Co.A uses more consignment staff. On the other hand, the use of retail technology by Co.B has made it casualise its employment more by employing part-time staff.

The major factors leading to the adoption of different structured employment systems by Co.A and Co.B are related to their different approaches to capitalise on the environment by employing different business and employment strategies. Co.A and Co.B face a similar competitive environment, but have different history and backgrounds. This explains why the management of the two companies employ different business and employment strategies to adjust to the competitive environment over which they have little control.

In summary, the findings basically confirm Proposition 3 that cultural factors lead to the polarisation of Japanese and local employees, and sectoral/ technological factors lead to further stratification of local employees within the local subsidiary of Japanese multinational retail companies. The use of retail technology has largely contributed to the formation of two structured employment features - polarisation between local professional staff and local employees with low skills, and casualisation of local employees with low skills. In some respects, this has reinforced the ethnocentric employment system of Japanese retail MNCs, despite the negative effects attending this. However, a point should be noted here that one cannot generalise to say which factors – cultural, sectoral/technological, or contextual/environmental – have the most impacts on the four structured employment features without having a statistical test generated from quantitative survey research.

7.7 POSTSCRIPT TO CHAPTER SEVEN

This thesis is about the employment systems of the retail industry in Hong Kong. The local retail industry has been undergoing changes during the 1980s and 1990s. Since the fieldwork was undertaken during the period between 1995 and the mid-1996, several dramatic changes occurred in the local retail market. One of the changes occurring in the case companies is their relative rankings among department stores in terms of annual sales turnover and profitability. Among the four Japanese case companies, Co.A went through the most drastic changes. It used to rank first since 1989. However, its business has started to decline since 1994. During the fieldwork period, the company experienced a continuous and drastic decline in profitability. In July, 1996, the parent company relocated its headquarters to Shanghai, China. Since the completion of fieldwork, the Group sold off different portions of its businesses – even 20 percent of the parent company's shares – to repay the bank loan interest since early 1997 (The International Chinese Newsweekly, 1997). However, these efforts failed to save the company from insolvency. On 18 September, 1997, less than a year and a half after the field research was completed, the Japan branch of Co.A applied for court protection from creditors under Japan's bankruptcy laws (Watanabe, 1997). This indicated that the Group as a whole was no longer able to bear the debts incurred from over borrowing from banks.

Although the managing director of Co.A's parent company and Wada's son-in-law, Kawai, explained that the problem of the company in Japan would not directly affect its overseas operations of its department stores, the Singapore's business has already come under interim judicial management on 20 September, 1997. The purpose of petition for judicial management by Co.A in Singapore was to prevent a scramble by creditors (Lam, 1997). In Hong Kong, although Co.A is still operating, it is undergoing many predicaments. Firstly, its listing in the Hong Kong Stock Exchange has been suspended since 18 September, 1997. Since the company's business and financial problems has been under constant media coverage, the morale of Co.A's employees in Hong Kong has experienced a severe blow because many customers were enquiring about the future of the company. Furthermore, the payment of employees' salaries and bonuses were frequently delayed. Some suppliers have even stopped supplying products to Co.A's store outlets in Hong Kong. The damage done to the company's reputation has also contributed to its difficulties to get any more loans from banks (Hayashibara, 1997).

This thesis was researched and written before the news of Co.A's insolvency in Japan was announced. Therefore, the effects of Co.A's insolvency in Japan has not been developed in the thesis. Nevertheless, what is happening in Co.A (as described above) does not affect the results of this study because the company had already been declining. The fate of Co.A reinforces the research finding that Japanese retail MNCs need to improve their employment systems for long-term development.

CHAPTER EIGHT

CONCLUSION

8.1 INTRODUCTION

This conclusion to the thesis draws out issues raised through the preceding chapters in an attempt to focus on all the main findings and arguments of the internationalisation of Japanese MNCs in the retail sector around the structured employment systems. The chapter is divided into four sections. Section 8.2 deals with the research questions and objectives, and how each preceding chapter tackles these research questions and objectives. Section 8.3 summarises all the research findings, and articulates the three propositions set in Chapter Two. Section 8.4 provides a set of implications from the research which elaborate the contribution to theoretical knowledge that this study has made, beyond the contributions made by dual labour market approaches. The contribution to methodological or analytical knowledge is particularly discussed in a desire to influence future research in the field, both in terms of methodologies used and the types of research cases explored. Section 8.5 suggests the future directions of research in the internationalisation of Japanese MNCs.

8.2 RESEARCH QUESTIONS AND OBJECTIVES

This study is undertaken to bridge the knowledge gap in Japanese international management studies which lack in-depth empirical investigation of the employment systems of Japanese retail MNCs. The important aspect of the multi-layered or structured nature of employment systems has been detached from the concerns of researchers because of their preoccupation with the transferability issue of Japanese management in their overseas subsidiaries. This has shifted research attention away from the realities of the employment process in Japanese companies overseas. Within the thesis, Hendry's (1995) structured employment model has been used to evoke and analyse the complex nature of the employment relationships among various employee groups. This research has sought to contribute to the debate on the issues of Japanese international management by answering three research questions:

1. What types of employment system are applied to the Japanese MNCs in the retail sector in Hong Kong?
2. What are the characteristics of the employment systems in terms of human resource management and organisational practices?
3. How can the impacts of and the factors leading to the employment systems of Japanese MNCs be described? And what are the implication for their long-term development in international management?

The use of the four-level micro-analysis approach has made the examination of structured employment systems possible. It examines each HRM / organisational practice, and structured employment feature in detail. Furthermore, it makes the investigation of social dynamics within the structured employment systems possible. How each case company adjusts the number and types of employee groups, and how each employee group is managed in different labour markets can also be examined systematically.

The first micro-analysis level adopts Hendry's (1995) structured employment systems model to analyse the employment characteristics of the four Japanese companies through testing the six variables of HRM and organisational practices to meet the first and second research questions. The findings are set out in Chapters Four and Five which identify the number of employee groups, and how each employee group is managed under these six practices. The costs involved in managing each employee group are also assessed. Taken together, the employment systems of all the Japanese case companies show the multi-layered or structured characteristics, and possess four structured employment features – polarisation between Japanese and local employees, polarisation between local employees with low skills, casualisation of local employees with low skills, and under-utilisation of female employees.

The findings show that two case companies – Co.B and Co.C – possess all the above features. On the other hand, Co.A and Co.D only possess three features, excepting the polarisation between local professional staff and local employees with low skills. The four Japanese companies can be categorised into two types of structured employment systems. The first type belongs to Co.A and Co.D which tend to show a more distinct polarisation between Japanese and local employees. The second type belongs to Co.B and Co.C which show a more distinct polarisation between local professional staff and local employees with low skills.

To illuminate the key findings in relation to the second research question, Chapters Six used a second and third level of micro-analysis to conduct a two-way test of the differences in employment systems practised between Japanese and European/American MNCs. The second level analysis compares the employment characteristics between the four Japanese companies and the British "control" company. The third micro-analysis level traces the differences in employment characteristics between Japanese and European/American MNCs from the existing literature. The results derived from the comparisons between the Japanese and British case companies are consistent with those of the existing literature (for example, Sethi *et al.*, 1984; Evan *et al.,* 1990; Hendry, 1994).

The fourth level of micro-analysis addresses the final research question. It traces the factors leading to the use of structured employment systems by the four companies. To illuminate the key findings, Chapter Six traces two of the structured employment features – polarisation between Japanese and local employees, and under-utilisation of female employees – to the cultural characteristics of Japanese firms. Chapter Seven traces all structured employment features - especially polarisation between local professional staff and local employees with low skills, and casualisation of employees – to the sectoral/ technological characteristics of the retail industry by in-depth case studies of Co.A and Co.B. In addition, the case studies also examine the contextual factors of each company from its history, background, and competitive environment. The implications of these factors are also evaluated against the long-term development of Japanese MNCs in international management.

8.3 THE RESEARCH FINDINGS: A SUMMARY

In the light of the analysis in the previous chapters, the following conclusions can be drawn. The three propositions set out in Chapter 2 are basically supported by the empirical data of this study. The first proposition set out to test whether the Japanese MNCs manage Japanese expatriates by the internal labour market (ILM); and manage the local employees by internal labour market (ILM), industrial/clerical labour market (ICLM), and external labour market (ELM) methods. The findings from Chapters Four and Five show that as a whole, employees in the four Japanese companies are managed in the four major labour markets. However, within each labour market, employees can be further divided. In the ILM, there are two types of Japanese expatriate according to their gender. The male Japanese expatriates are employed in the ILM, and the female expatriates are employed in a "diluted" ILM. Furthermore, there are several types of local employees according to their profession, skills, employment status and gender. A limited number of local professional staff who possess the skills for implementing retail technology, but are in short supply, are employed in the OLM. As a result of being treated less favourably because of their gender, local female professional staff are employed in a "diluted" OLM. A majority of local full-time employees possess low skills. Local employees with low skills are employed in the ICLM no matter what hierarchies and nature of job they are engaged in. Furthermore, female managers in this labour market are employed in the less favourable segment of the ICLM. The part-time and consignment local staff are employed in the ELM.

The second proposition set out to see whether high-cost core practices are applied to the employees of the ILM, high-cost peripheral practices are applied to the employees of the OLM, selected low-cost core and peripheral practices are applied to the employees of the ICLM, and low-cost peripheral practices are applied to the employees of the ELM. It has been argued that the choice of employment systems by Japanese companies in Hong Kong is primarily influenced by economic considerations since Japanese MNCs aim at achieving the most effective and efficient utilisation of the global workforce. The importance of economic considerations becomes evident when high-cost human resource management and organisational practices are only applied to the male Japanese expatriates. This stems from the economic consideration of maximising predictability and flexibility. On the other hand, relatively higher-cost peripheral practices, e.g. better pay package and more intensive communication, are only applied to a limited number of local professional staff. This reflects the fact that Japanese management only responds to particular environmental factors, e.g. shortage of skilled labour, rather than attempting to internalise non-Japanese local employees on a systematic basis. Therefore, the local employees of the OLM are managed in a pseudo-polycentric manner (Hennan and Perlmutter, 1979).

The above economic argument is supported by the insufficient application of high-cost practices among the local employees of the ICLM. All companies tend to practise a combination of low-cost core and peripheral practices. Co.A adopts several core practices such as a graduate training programme, job rotation, and generalist training programme among the local employees. However, the objective of practising these core practices to the local employees differs from that applied to their Japanese counterparts. The company has little intention to let any non-Japanese local staff to take up senior managerial positions in the overseas subsidiaries. Rather, cross-functional job assignment and job rotation are used for getting rid of unwanted local staff.

Furthermore, the employment of part-time and consignment staff in the external labour market also stems from the economic consideration of minimising labour costs, and maximising numerical and financial flexibility. Thus, the motive of casualising employment by the Japanese companies is related to managerial choices on the basis of anticipated benefits and costs. This suggests that the adoption of multi-layered structured employment systems in the four Japanese companies is based primarily on economic considerations to achieve the most effective and efficient utilisation of the international labour force.

The third proposition set out to see whether cultural factors lead to the polarisation of Japanese and local employees, and sectoral/technological factors lead to further stratification of local employees within the overseas subsidiaries of Japanese multinational retail companies. The findings of this study show that Japanese cultural characteristics have contributed to the polarisation between Japanese and local employees, and under-utilisation of female staff. Sectoral characteristics of the retail industry, especially the use of retail technology, have contributed to the polarisation between local professional staff and local employees with low skills, and the casualisation of local employees with low skills. The contextual factors of the companies - background, history, competitive environment and business strategy - have together contributed to the employment of structured employment systems by the Japanese case companies.

8.4 IMPLICATIONS OF THE STUDY

This thesis is the first attempt to systematically examine the structured nature of employment systems employed by the four Japanese department store companies in Hong Kong. It provides a new theoretical perspective on issues related to the employment systems of Japanese retail MNCs. Existing literature and studies in Japanese international management have so far been dominated by the dual labour market interpretation (Littler, 1983; Sethi, *et al.*, 1984; Chalmers, 1989; Dedoussis, 1995). They suggested that Japanese expatriates are employed as core employees, while all local employees are employed as peripheral employees.

This research shows that the employment systems of the four Japanese department store companies involve far more than a core-peripheral workforce dichotomy. Rather, the Japanese case companies employ segmented and structured employment systems, with many employee groups managed by different HRM and organisational practices involving different costs, and are employed in different labour markets. For instance, one of the Japanese case companies – Co.C – possesses seven employee groups which are managed by different practices and employed in different labour markets. These findings give a more realistic picture of the employment systems practised by Japanese retail companies overseas.

The reasons why the dualist approach has overlooked the structured aspect of the Japanese employment systems appear to be related to the focus and level of existing Japanese international management studies. Almost all existing studies focused on the examination of a narrow range of specific human resource practices, and neglected the structure of organisational power among employee groups based on skills, profession, gender, employment status and hierarchy, with the exception of national origins.

The type of industry under study is also neglected. The retail industry has several sectoral characteristics which have induced the structured nature of the employment systems. The first sectoral characteristic is casualisation of employment. Due to fluctuating customer demands, retail companies tend to casualise employment either by employing more consignment or part-time staff. The second sectoral characteristic is related to the gendered management approach. Ever since the first retail revolution occurred in the 1940s, female staff have been receiving gender-based treatment in employment. Thirdly, the use of retail technology requires that a company employ professional staff. All these sectoral characteristics affect the tendency to use structured employment systems in retail companies.

The contribution of this study to theoretical knowledge is beyond the contributions made by dual labour market approaches. The dualist research findings in the Japanese international management literature can only differentiate employees by national origin – Japanese and non-Japanese. Therefore, the value of the dual labour market approaches is limited in their assumptions and methodologies. The adoption of Hendry's (1995) structured employment systems model in this study has extended the assumptions of existing studies by including other criteria such as skills, profession, hierarchy, employment status and gender in addition to national origins. Thus, the value of this study lies in its strength in making researchers review the assumptions and methodologies of the existing studies. The usefulness of the research findings lies in the fact that it provides a new perspective to study Japanese management overseas which is of a structured and multi-layered nature.

This study contributes to our methodological and analytical knowledge since the structured employment systems model provides a framework for analysing the processes and mechanisms which perpetuate local employees being excluded from ILM jobs. In doing so, it uses a micro-analysis approach to test six variables, and presents the employment characteristics of employee groups in each case company in detail. The micro-analysis approach has enhanced the strength of the model which helps the examination of how the rules and practices governing the different labour markets operate to exclude certain groups of employee, and how the established rules and practices are maintained and supported by the parent company in great detail. This illuminates how each case company employs different patterns for managing and treating employee groups within the company which is hardly known in other research.

The dualist approach missed out the characteristics of Japanese overseas companies' employment systems as it failed to explain the actual situation of their labour markets. Firstly, the labour market of Japanese overseas companies is not merely divided into two autonomous and discontinuous segments, but is segmented in many ways and by different criteria. It is because the identification of the core can shift when situations change. Secondly, the definition of key skills has weakened the notion of the core. The evaluation of which skills are core is complicated by the fact that skill is socially constructed and gendered. For example, although certain positions such as the *ippan shoku* are occupied by female employees, the increasing demand for technical specialists has opened up career opportunities for many mid-career and female employees in Japanese companies. Thirdly, the dualist approach has neglected the pre-existence of discrimination against non-parent company nationals (local employees) and sexual segregation.

The findings of this study are an improvement on previous expatriation research and dual labour market approach because the evidence of this research shows more than what the cultural explanation has explained about the Japanese intensive use of expatriate managers, low internalisation of local and female employees, and strong control and centralisation. added new insights on the studies of Japanese management overseas. Firstly, it points out the differentiated employment practices between male and female Japanese expatriates and among the local employees of various hierarchies, skills/professional and employment status. These different employee groups are employed in various segments of labour markets, and receive various amount of management control and power to carry out their work. Secondly, this research also brings out the dynamics of the shifting employment practices within the changing consumer and labour markets of Hong Kong. For instance, the evidence shows that some Japanese companies provide more favourable employment conditions towards the local professional staff as a result of the introduction of retail sales technology. These new perspectives derived from this thesis has added to the understanding of Japanese organisational culture and management practices employed overseas.

8.5 SUGGESTIONS FOR FUTURE RESEARCH

The absence of a solid theoretical framework in the rapidly growing literature on Japanese international management is striking. The vast majority of studies are purely descriptive while seldom has an attempt been made to explain issues related to the structured nature of employment systems of Japanese overseas subsidiaries. The results of this study suggest that employment systems will be a productive area for future research. This is especially so in the light of companies' changing positions during the current post-bubble recession in Japan. Japanese MNCs have shown signs of changes in their employment systems, especially that of their overseas subsidiaries. Therefore, it may be suggested that future research into the nature of employment systems will contribute towards more understanding of the issues affecting Japanese international management. The productive areas for future research include the areas discussed below.

Firstly, there is an obvious need for more research in the context of the emerging internationalisation of Japan's tertiary sector under the current pressure of the post-bubble recession. Under the pressure of changes in the Japanese labour market as a result of the post-bubble recession, the international management of Japanese MNCs is bound to change. However, changes in the Japanese labour market which affect Japanese international management have not yet come under investigation. Further studies on this issue require a continuous monitoring of changing situations in both the head office as well as overseas subsidiaries. For example, how have the changes of labour markets at home affected the employment policy of their overseas subsidiaries? In the light of the present thesis, this is a more meaningful line of inquiry to research through the structured employment systems model since Japanese employment systems feature varied practices among the primary employee groups of expatriates and local employees.

Secondly, compared to the British department stores which are expanding in Hong Kong, Japanese department stores as a whole have experienced a contraction in their market share. Another area for further study is to compare MNCs of different national origins, and find out to what extent the employment and management practices of Japanese department stores have been one of the main factors holding back their development (Abegglen and Stalk, 1985).

Thirdly, since this research is based on case study methodology, a survey-based research is needed to generalise the findings. Conclusions from structured employment features cannot be generalised as of whether they are related to the sectoral characteristics, cultural characteristics of Japanese, or contextual characteristics of the environment. Therefore, on the basis of this qualitative research, quantitative research can then be developed which makes statistically meaningful comparisons of employment systems of Japanese overseas subsidiaries between different industries and sectors in Hong Kong, and across different countries. The usefulness of a quantitative research lies in the illuminations they have for the understanding of which factors have more impacts on the employment features found in the Japanese retail MNCs. Furthermore, the implications of cross-country comparisons lie in the illuminations they have for the understanding of the impact of different socio-cultural contexts on the employment systems. For example, to what extent has the socio-cultural system, such as collectivist or individualistic behaviour and uncertainty avoidance behaviour of the management from the parent company and the host-country nationals, impacted on the employment systems of the overseas subsidiaries? Answers to this question will hinge on, among other things, socio-cultural contexts of the MNCs.

These suggestions are by no means conclusive in the sense that they are the only avenue for research to provide evidence for meaningful analysis of Japanese international management. Nevertheless, although labour markets and employment systems are not the only issues which warrant fuller exploration, they are significant issues for further exploration which present human resource management practices in a strategic light.

APPENDICES

Appendix 1

Japanese Department Stores in Hong Kong

Company	No.	Location	Established Year	No. of Employee*
Co.1	1	Causeway Bay	1960	560
	2	Causeway Bay	1983	
Co.2	1	Tsimshatsui	1973 (closed in 1996)	300
	2	Abardeen	1987 (closed in 1996)	
Co.D	1	Causeway Bay	1974	300
	2	Admiralty	1981	
Co.3	1	Tsimshatsui	1981	240
Co.4	1	Causeway Bay	1981	600
	2	Tsimshatsui	1988 (closed in 1995)	
Co.5	1	Causeway Bay	1985 (expanded in 1994)	1,000
Co.A**	1	Shatin	1984	2,000
	2	Tuen Mun	1987	
	3	Hunghom	1988	
	4	Tsuen Wan	1990	
	5	Tin Siu Wai	1991	
	6, 7	Yuen Long, Lam Tin	1992	
	8	Junk Bay	1994	
	9	Ma On Shan	1995	
Co.6	1	Taikooshing	1987	550
Co.B	1	Taikooshing	1987	1,000
	2	Tsuen Wan	1990	
	3	Lok Fu	1991	
	4	Tai Po	1995	
	5	Junk Bay	1997	
Co.7	1	Admiralty	1990	600
Co.E***	1, 2	Tsimshatsui, Shatin	1988	630
	3, 4	Taikoo, Causeway	1989	
	5,6	Landmark, Pacific Place	1990	
	7	Time Square	1991	
	8	Central	1995	
Co.C	1	Shatin	1991	600

Source: compiled by the author based on the company reports and the author's survey of the twelve companies as of June 1996.

Note: All the companies are given pseudonyms.
*The number of full-time employees excluding part-time employees.
**Co.A's Macao and Sha Tao Kok stores (at the border of Mainland China) are excluded in this research although they belong to the Hong Kong operation because they are located outside Hong Kong.
***Co.E is a British company.

Appendix 2

The Profile of Interviewees in *Each* Japanese Case Company

Hierarchical Levels	Departments	Nationalities/No.	Company/Gender
1. Top Management	-	J (1)------------	All co.: M
2. Managerial			
-Operational	Apparel, Household, Food	J (2)------------	Co.A: 1M, 1F Co.B, Co.C, Co.D: 2M
		LC (6)---------	Co.A, Co.B: 5M, 1F Co.C, Co.D: 6M
-Administrative	General Affairs, Accounting, Personnel, EDP*	J (2)-----------	Co.A, Co.C: 1M, 1F Co.B, Co.D: 2M
		LC (4)--------	Co.A, Co.D: 3M, 1F Co.B: 2M, 2F Co.C: 1M, 3F
3. Supervisory			
-Operational	Apparel, Household, Food	LC (3)--------	Co.A, Co.D: 2M, 1F Co.B, Co.C: 1M, 2F
-Administrative	General Affairs, Accounting, Personnel, EDP*	LC (3)--------	All companies: F
4. Sales	Apparel, Household, Food	LC (4)--------	All co.: F (2 full-time, 2 part-time)

Total number of interviewee in **all** Japanese company: 25X4=100.

Source: developed for this research from Chapter Three.

Note: J: Japanese, LC: Local Chinese, M: Male, F: Female, EDP *: only in Co.B and Co.C.
Total number of Japanese interviewees in *each* company: 5.
Total number of local Hong Kong interviewees in *each* company: 20.
Total number of Japanese male interviewees - Co.A: 3; Co.C: 4; Co.B, Co.D: 5.
Total number of Japanese female interviewees - Co.A: 2; Co.C: 1.
Total number of local male interviewees - Co.A: 10; Co.B: 8; Co.C: 8; Co.D: 11.
Total number of local female interviewees - Co.A: 10; Co.B: 12; Co.C: 12; Co.D: 9.

Appendix 3
The Profile of Interviewees in the British Case Company

Hierarchical Levels	Band	Departments	Nationalities/No.	Gender
1. Top Management	1: Director 2: Controller	-	British (1)-------------- Local Chinese (1)-----	1M 1F
2. Managerial -Operational -Administrative	3: SM 4: ASM	Commercial, Personnel, Finance	Local Chinese (7)-----	3M, 4F
3. Supervisory	5. DM Officer	Commercial, Personnel, Finance	Local Chinese (7)-----	3M, 4F
4. Sales	6. Sales assistant	-	Local Chinese (4)-----	4F: 2 FT, 2PT

Total number of interviewee in the British company: 20.

Source: developed for this research from Chapter Three.

Note: SM: Store manager, ASM: Assistant Store Manager, DM: Department Manager, FT: Full-time, PT: Part-time.
Top management level includes bands 1 and 2 - directors and controllers.
Managerial level includes bands 3 and 4 - store managers and assistant store managers.
Supervisory level corresponds to band 5 - store department manager and officers.
Sales level corresponds to band 6 - sales assistants.
Total number of British interviewee: 1.
Total number of local interviewees: 19.
Total number of male interviewees: 7.
Total number of female interviewees: 13.
Total number of "managerial grade" interviewees: 16.
Total number of "general grade" interviewees: 4.

Appendix 4

Interview Schedule

Expatriate Interviewees

Background Information

- Can you outline your work in the company and your subordinates' work?
- Do you perform communicator, transfer and control functions for the parent company?
- What is your company's business strategy related to the external environment?
- What is your company's employment structure and strategy?

Employment Systems

- What do you know about how the management in your company is organised?
- Do you think employees of different hierarchy, functional departments, professions, gender and nationality are treated in different employment systems in your company?
- If yes, do you understand how the employment systems of your company operate?

Characteristics of Employment Systems

- Under what kind of recruitment and selection procedures were you recruited into the company?
- How many of you (expatriates) are sent to work in the Hong Kong operation?
- What type of pay, allowances and benefits, and the annual pay adjustment are provided to you and the local employees by your company?
- Does the company provide you with any training & development opportunities? If yes, what type of training & development have you received?
- Has the company provided you with any induction/orientation? If yes, how long & describe the content of the programme.
- What sort of jobs do you work, and do you assign to your local subordinates?
- Does your company practise job rotation?
- How often do you communicate with Japan, and by what means?
- Why do you have to make frequent communication with the parent company?
- What are your roles in international management functions?

- Do you think your communication with the parent company is sufficient and effective?
- How do you think decisions are made in your company?
- To what extent are you involved in the various stages of decision-making?
- Who have any decision-making powers in your company?
- Who are commanding the control of the company?

Summary Questions

- What are the problems with the employment system in your company or in HK?
- Do you think there are any ways to improve your perceived problems?

Demographic Data

- Present position & formal position(s), if any
- Years of service in the company
- Educational attainment
- Age & sex

Interview Schedule

Local Hong Kong Chinese Interviewees

Background Information

- Can you outline your work in the company and your subordinates' work?
- I tell briefly about my impression of Japanese multinational management during 1987-89 so as to find out whether my impression was too time-specific.

Employment Systems (These questions were not asked among the part-time interviewees)

- What do you know about how the management of your company is organised?
- Do you think employees of different hierarchy, functional departments, professions, gender and nationality are treated differently in your company?
- If yes, do you understand how the employment system for employees of different hierarchy, functional departments, professions, gender and nationality differ from each others?

Characteristics of Employment Systems

- Under what kind of recruitment and selection procedures were you recruited into the company?
- What type of pay, allowances and benefits, and the annual pay adjustment are provided to you by your company?
- Does the company provide you with any training & development opportunities? If yes, what type of training & development have you received?
- Has the company provided you with any induction/orientation? If yes, how long & describe the content of the programme.
- How do you project your career path *within and outside* the company? Which path (in-company or out-company) do you think is more prosperous in the light of your knowledge?
- To female staff: Have you ever experienced any gender-based treatment in recruitment and selection, pay and benefit, and training and development?
- Are you given any job description (written or oral)?
- What is your perception of your job assignment – cross-functional or specialised? Do you have to perform jobs which are outside your job boundary?

- Are you willing to perform jobs outside the job descriptions? If yes, what have made you to accept the request?
- What is your perception of access to the company's information – adequate or inadequate?
- Do you think information is adequately communicated from the management to the employees (top-down) and vice versa (bottom-up)?
- To what extent are you involved in the various stages of decision-making?
- How do you think decisions are made in your company?
- Who have any decision-making powers in your company?
- Who are commanding the control of the company?
- To female staff: Have you ever experienced any gender-based treatment in job assignment, communication, and decision-making?

Attitudes and Opinions for Working in the Japanese Department Stores

- Do you have any opinion about your company's employment system?
- Do you think you have any job satisfaction from your job?
- Do you need to adjust your behaviour in order to adapt to the employment practices? If yes, how and do you have any difficulty? Have you adjusted your behaviour yet?
- What kind of person (personality and ability) do you think would be suitable to work under the employment system of your company?
- Do you feel the female employees are treated differently from their male counterparts?

Summary Questions

- What are the problems with the employment system in your company or in HK?
- Do you think there are any ways to improve your perceived problems?

Demographic Data

- Present position & formal position(s), if any
- Years of service in the company & the industry
- Educational attainment
- Age & sex

Appendix 5

Observation Form

Items	Phenomena
Setting	
Date/Time	
Site	
Event	
Overview of Event	
Variables	
Title of observation	
Detailed observation	
Interpretations	
Observer feelings	

Source: Perkins (1981).

Appendix 6

Techniques of Semi-Structured Face-to-Face Interviews

The following types of questions were asked to supplement the interview schedule and enrich the answers:

1. Information filter question

   Before probing into an issue into further depth, information filter question is asked to find out whether the interviewees have sufficient information of the particular issue.

E.g. "Can you tell me how well informed you are in the matter?"

2. Reactive question

   To understand alternatives or variations of attitude that an interview may hold on a given point.

E.g. When an interviewee said, "I don't think *all* Japanese managers are sexually biased." Then, the interviewer asked, "In your opinion, which type of Japanese managers are more sexually biased?"

3. Hypothetical question

   To bring out additional affective reactions or feeling to situations which have been mentioned by the interviewee.

E.g. "What is your *own* personal attitude towards the sexually biased Japanese superiors?"

4. High-pressure question

   To challenge or push an interviewee for ultimate truth as he or she sees it.

E.g. "Do you *personally* think there is little prospect for a woman to work in Japanese companies?"

5. Channel questions

   To determine the origin or uncover the source of a comment made by the interviewee.

E.g. "Would you indicate the identity of 'they'?"

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